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THE ROLE OF INTERNAL AUDITOR IN CORPORATE GOVERNANCE CASE STUDY AT PERUM PEGADAIAN BRANCH OFFICE OF PADANG

THESIS



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ABSTRACT

The aim of this research is to describe the relevant information about condition of internal auditor and the role of internal auditor in corporate governance in Perum Pegadaian, branch office of Padang. To analyze the role of internal auditor in corporate governance in Perum Pegadaian, both primarily and secondary data are used, which gathered from the observations during two month, interviews with related parties and study literatures of internal auditor role especially in corporate governance and company's document.

The internal auditor of Perum Pegadaian branch office of Padang are Independent, they have good function, where internal auditor not only act as supervisory but also act as consultant and catalyst and they have QIA (Qualified Internal Audit). Internal auditor already involve in corporate governance as supervise and consultant of the implementation and performance to achieving good corporate governance.

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CHAPTER I

INTRODUCTION

1.1 Background

Internal audit profession has significantly development in the early 21st century, since the case of Enron in business community. Despite the reputation of the internal audit was sunk by a variety of cases the collapse of several companies that was involving the role of auditors, but internal auditors profession was increasingly appreciated in the organization. Now the profession of internal auditors also have a role in the implementation of Good Corporate Governance (GCG) in the company and Good Government governance (GGG) in government. (Effendi 2007)

At present internal audit is used in all industry types and covers many areas: starting from attitude on accounting and financial information, assessment of internal controls and operating activities and ending with consultations to the senior management regarding strategic issues, risk management and achieving the good corporate governance .

The increasing of complexity, the size of organization and the expansion in business operations is affecting the need for the complex control system, both control of financial and business operational that make the role of audit became important thing, especially the internal audit who has involved day to day the operational of organization.

Internal audit role is about independent function that exists in an organization with the aim to test and evaluation activities of organization. Internal auditor is required for its ability to provide the service according and the need of the organization. The increasing effectiveness and effectiveness of internal audit role in organization will result the good internal control in an organization.

According to IIA standard, the internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to

the effectiveness and efficiency of governance, risk management, and control processes and reporting should also include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the board and senior management. According to this standard the internal auditors have significant role in company and one of role is in corporate governance.

In corporate governance structure internal auditor is one of supporting function to help the board directors to run the business activity and achieving goals of company. Internal auditors have significant role in achieving the good corporate governance, so that internal auditors have to aware with the corporate governance issue. Internal auditor's functions in implementation good corporate governance are to do monitoring all control activity, give advisory and monitoring the control environment, ensure that the management risk has running well and also monitoring the implementations good corporate governance.

Corporate governance is a process to directing and controlling all company activity. Corporate governance involves the relationship among many stakeholders and the goals which the corporation is governed. The stakeholder involve in corporate governance, it's from internal and external stakeholder, for internal are board management, executive and other employee, broad management have responsible to manage corporate governance also to establish the company strategy. The main external stakeholder that involve in corporate governance company are shareholder, investor, supplier, customers and others community affected by companies activity.

Based on decree of the Minister of State/Head of Investment and BUMN No. 23/MPM/BUMN/2000 of Good Corporate Governance Practices in the Development Company (Persero), Good Corporate Governance is healthy corporate principles that need to be applied in the management company that conducted to maintain corporate interests in order to achieve company goals and objectives. Implementation of public management and

public services in Indonesia is focused on good corporate governance and pure that indicated from increasing confidence and credibility, because the good corporate governance principles are need to be guidelines for healthy BUMN management system.

According to Calytan (2009), Good governance includes weighing staff morale, considering risks, and requesting responses to vulnerability. An assessment of governance by internal auditing may result in recommended training for members to improve their awareness of their roles and responsibilities

Increasing of awareness of company about the good corporate governance, it made company to start for applies the principles of good corporate governance fairness, accountability, responsibility and transparency to support economics development. Corporate governance principle expected to increase the financial report qualities that also influence the trust of financial report users and investors.

Internal auditors play an active role in helping to shape the company's corporate governance and culture by providing recommendations for it, if it implemented can better equip the organization to respond to events that could potentially hinder its overall financial stability and reputation. Internal auditors help audit committees and the board management enhance their organization's implementation good corporate governance.

Internal auditors need to become active participants in implementation of good corporate governance process and ensure it has the appropriate support from all levels of the organization, especially senior management. Consequently, a major focus of this research is to identify the role of internal auditors in corporate governance.

Perum Pegadaian is one of BUMN has been implementing the good corporate governance, it is applied the principles of good corporate governance for all structure and activity Perum Pegadaian. Based on decree of government for implementation of good corporate governance for BUMN in 2002, Perum Pegadaian had implemented good corporate

governance principles practice in 2004 with prepare numerous good corporate governance manuals of Perum Pegadaian.

Ministerial Decree of BUMN No. Kep-117-MBU/2002 regarding the Application of good corporate governance standards Code at BUMN, Government Regulation No. 13/1998 regarding Perum, Government Regulation No. 103/2000 regarding Perum Pegadaian, corporate culture values (the INTAN), vision and mission of Perum Pegadaian as basis and reference in managing Perum Pegadaian so the implementation is in line with the good corporate governance standard.

Perum Pegadaian has Internal Audit charter accordance with The Decision of Director No. S-73/SPI/IV/2007. Internal auditor in Perum Pegadaian is called "Satuan Pengawas Intern (SPI), they perform in planning, control, coordination in supervision, evaluation control system and implementation of all companies activities as well as providing corrective action. Perum Pegadaian realizes the need of internal consultant in evaluation of business activity and it structure to achieve good corporate governance , because Perum Pegadaian has many branches in the province and city in Indonesia so that it needs to care with control and evaluation.

In line with the future growth of surrounding Perum Pegadaian are committed to improve the health business practise with good corporate governance principles implementation.

In conclusion, Perum Pegadaian chosen because author interested with the role internal audit in Perum Pegadaian especially role in corporate governance. Additionally the author interest with this research because research in non banking finance company are still rare. So, the author chooses Perum Pegadaian that has unique business activity.

Based on the background above, the authors are interested in doing research with the title:

"The Role of Internal Auditor in Corporate Governance, (Case Study at Perum Pegadaian)"

1.2 Problem Definition

Based on background above, existence internal audit function in a company is required to control the business activity so that the trust from community can be maintained. In order to implement the basic corporate governance principles and to produce reliable information for company's stakeholders takes effectiveness role of internal auditors.

Therefore the author interest to doing this research, so the questions in this research are:

1. How is internal audit function and practice in Perum Pegadaian?
2. How is Corporate Governance in Perum Pegadaian?
3. How is the internal auditor role in corporate governance Perum Pegadaian?

1.3 Research Objective

The objective of this research is to describe and to analyze about internal auditor role and function in Corporate Governance in Perum Pegadaian.

1.4 Research Benefits

The benefit that expected in this research are:

1. For author, will be able to provide an understanding description about internal auditor role in corporate governance within the organization.
2. For company, expected this research can be used as an input in improving the internal audit function in corporate governance for the future.

3. For accounting knowledge and next research, expected that this research can give input for accounting knowledge and inspiration for further research that more deeply in the future.

1.5 Previous Research

The previous research was written by Purwaningsih (2008) from Universitas Indonesia. This research discussed about the Role of Internal Audit in improving of corporate governance in PT. Indosat Tbk. The result of this research are the implementation of good corporate governance is running well and internal auditor has been implemented internal control according COSO to implement good corporate governance in PT. Indosat.

Also Zulkarnain 2010 from Universitas Sumatera Utara, it about analysis the influences internal audit function in implementation good corporate governance in the performance PT Perkebunan Negara, case study at PT. Perkebunan Nusantara II, the research discuss about investigate and analyze the influence of internal auditor role as one of the functions in the application GCG that include transparency, independence, accountability, accountability and fairness on the performance of plantation companies. The result of this research are only transparency principle has significant influence to performance of company and internal auditor function that has significant influence to performance of PT. Perkebunan Nusantara II.

Salmon 2006, this research about the function of Internal Audit in Implementation of Good Corporate Governance it research about how internal audit function in implementing good corporate governance in PT.PLN Persero. The result of this research 89,2% for internal auditor performance, 83,3% for internal audit function in implementation of corporate governance and 86,8 for implementation of good corporate governance in PT.PLN. Therefore, good corporate governance implementation has good implemented in PT. PLN and internal auditor has significant function to implementation of good corporate governance

Cattrysse 2005, with title of research Corporate Governance and the role of the internal auditor. This research discusses about the relationship the corporate governance and internal auditor and how implication corporate governance to internal auditor profession. This paper aimed at producing a number of reflections on the phenomenon of corporate governance for the benefit of the internal auditor

Moreover there are accounting journal that also discuss about the role internal auditor in corporate governance, Bookal (2002), Internal Auditor Integral to Corporate Governance, this journal discuss about the 4 cornerstones on which effective corporate governance must be built: internal auditors, boards of directors, senior management, and external auditors.

Whitley (2005) Internal Auditing's Role in Corporate Governance, this journal discuss about the report notes that The IIA's International Standards for the Professional Practice of Internal Auditing calls on internal auditors to evaluate and offer recommendations to improve governance processes and affirms their importance in risk management activities. The report provides example of steps internal auditors can take to help management and the board with their responsibilities

So, all the research and journal inspired author to build this title. And previous research helps the author to write the thesis.

1.6 Writing Systematic

The systematical writing of this research is divided into five (5) chapters. Each chapter has some sub chapter that will be explore more.

CHAPTER I INTRODUCTION

This chapter describes the background of the problem, problem statement, and research objective, and research contribution and structure of this thesis.

CHAPTER II THEORETICAL FRAMEWORK

This chapter explore about literature survey of any related theories and opinions gathered from different any of resources such as text book, journals, the result from previsions research and internet browser.

CHAPTER III RESEARCH METHODOLOGY

This research discuss about research object, scope of research, research methodology, various kind of research variables and describe the techniques used to analyze the data and also any information needed for the thesis.

CHAPTER IV RESULT AND DISCUSSION

This chapter describe about the result of research based on the data and information gathered related to the question on the problem statement achieving the objective of the research by evaluating the theories and the implementation of subject in this company. This problem related with the role internal audit Perum Pegadaian.

CHAPTER V CONCLUTION, LIMITATION AND SUGGESTION

This chapter concludes all the result of research presented by previsions chapter and add feedback in form of suggestion and also discuss the limitation of research.

CHAPTER II

THEORETICAL FRAMEWORK

2.1 Internal Audit

Internal auditing in the past decade was regarded as merely focused on financial and accounting matter, but today its role has been developed to include in activity risk and control evaluation and its considered to integral to corporate governance process.(Kagermann, Kinney, Küting 2008)

2.1.1 Internal Audit Definition

Internal auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization (Moller and Witt: 1999). Moreover, Internal auditing is a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendation based on analyses and assessments of data and business process. Internal auditing provides value to governing bodies and senior management as an objective source of independent advice. (Wikipedia)

The Institute of Internal Auditors (IIA) has developed the globally accepted definition of internal auditor, as follows: The Institute of Internal Auditors (IIA) has developed the globally accepted definition of internal auditing, as follows:

"Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".

Furthermore (Kagermann, Kinney, Springer, 2008), describe internal auditing is an independent, objective assurance, consulting activity designed to assess the effectiveness of the control environment, add value and improve an organization's operation.

From all definition, the role internal audit not only in the financial problem but also in management function, policies and procedure, efficiency and effectiveness through development and appraisals of risk management, control and governance processes.

2.1.2 The role of Internal Auditor

Internal auditor is part of organization that have important role to make sure the company run well. Thus, the roles of internal audit are:

i. **Internal Control**

Internal audit is primarily directed at improving internal control. Under COSO framework internal control is broadly define as a process, affected by entities broad of directors, management and other personal designed to provide reasonable assurance regarding the achievement. Internal auditors perform audits to evaluate whether the policies and processes are designed and operating effectively and provide recommendation to improvement.

ii. **Risk management**

Internal auditing professional standards required the function to monitor and evaluate the effectiveness of the organization's risk management related to how an organization sets objectives, then identifies, analyzes and response to those risk that could potentially impact its ability to realize its objectives.

Under the COSO enterprise risk management framework, risk fall under strategic, operational, financial reporting and regulatory categories. Sarbanes Oxley regulations also required extensive risk assessment of financial reporting process.

Internal auditors can advise management regarding the reporting of forward looking operating measures to the board to help identify emerging risks. Internal auditor may help companies to establish and maintain enterprise risk management processes. Internal auditor

also plays an important role in helping companies execute a SOX 404 top-down risk assessment.

iii. Corporate governance

Internal audit activity as it related to corporate governance is generally informal, accomplished primarily through participation in meeting and discussions with member of the Board of Directors. Corporate governance is a combination of process and organizational structures implemented by the Board of directors to inform, direct, manage, and monitor the organization resources, strategies and policies toward the achievement of the organization objective.

The internal auditor is often considered one of the four pillar of corporate governance and the other pillar being the board of director, management and the external auditor. A primarily focus area of internal auditing as it relates to corporate governance is helping the audit the audit committee of the board director perform its responsibilities effectively.

2.1.3 The Profession Standard of Internal Audit

Internal auditor has to have independency to do auditing and to give suggestion for improvement company's performance based on the profession standard that had by internal auditor. Independency is used to make sure the product and services produces have advantages for interest community and stakeholders. Internal auditor considered as independent if internal auditors do the responsibility and duties independence and objective.

To practice as quality as profession, certain requirement are necessary. These include recognition and well define area of service to society, special knowledge and skill for providing that services, standard of performance, code of ethics and procedures by which the members can be disciplined.

Internal auditors work in large variety of organizations and asked to perform internal audit review I a diverse of operational and financial areas. Because of this diversity, internal

audit is faced with a wide spectrum of professional challenges, including that management expect internal auditors to perform review in a competent and consistent manner. The standard aid in this process, they provide a guideline for management to measure their internal auditors as well as for internal auditors to measure themselves.(Moeller, &Witt 5th year).

The Institute of Internal Auditors (IIA) has developed such standard for professional practice of internal auditing. This standard serve both members of the internal auditor and the larger society served by internal auditor and provide benchmark against which to measure the level and quality of individual and overall internal auditing activities.

Moreover Institute of Internal Auditor (IIA) set the standards are recognized into five general standard covering major areas and function of internal auditor as follow: (Moeller & Witt 5th year)

1. Independence
2. Professional Proficiency
3. Scope of Work
4. Performance of Audit work
5. Management of Internal auditing development

1. Independency

Interpretation of Standard 1100 from the Standards for the Professional Practice of Internal Auditing Related Standard: 1100 – Independence and Objectivity

The internal audit activity should be independent, and internal auditors should be objective in performing their work.

Moreover, internal auditors should consider the following suggestions when evaluating independence and objectivity. This guidance is not intended to represent all the considerations that may be necessary when conducting such an evaluation, but simply a

recommended set of items that should be addressed. Compliance with Practice Advisories is optional. (Institute of internal auditor standard: 2010)

In addition, IIA standard 2010, internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of engagements. It is achieved through organizational status and objectivity.

2. Professional Proficiency

Practice Advisory 1110-1: Organizational Independence Interpretation of Standard 1110 from the Standards for the Professional Practice of Internal Auditing Related (IIA standard 2010)

The chief audit executive should report to a level within the organization that allows the internal audit activity to accomplish its responsibilities.

Internal auditors should consider the following suggestions when evaluating organizational independence. This guidance is not intended to represent all the considerations that may be necessary during such an evaluation, but simply a recommended set of items that should be addressed. Compliance with Practice Advisories is optional.

- 1) Internal auditors should have the support of senior management and of the board so that they can gain the cooperation of engagement clients and perform their work free from interference.
- 2) The chief audit executive should be responsible to an individual in the organization with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of engagement communications, and appropriate action on engagement recommendations.

- 3) Ideally, the chief audit executive should report functionally to the audit committee, board of directors, or other appropriate governing authority, and administratively to the chief executive officer of the organization.
- 4) The chief audit executive should have direct communication with the board, audit committee, or other appropriate governing authority. Regular communication with the board helps assure independence and provides a means for the board and the chief audit executive to keep each other informed on matters of mutual interest.
- 5) Direct communication occurs when the chief audit executive regularly attends and participates in meetings of the board, audit committee, or other appropriate governing authority which relate to its oversight responsibilities for auditing, financial reporting, organizational governance, and control. The chief audit executive's attendance and participation at these meetings provide an opportunity to exchange information concerning the plans and activities of the internal auditing activity. The chief audit executive should meet privately with the board, audit committee, or other appropriate governing authority at least annually.
- 6) Independence is enhanced when the board concurs in the appointment or removal of the chief audit executive.

3. Scope of Work

The AII standard (2010), the scope of the internal audit should encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. Cited in (Moeller & Witt 5th year)

The scope of internal auditing work, as specified in this standard, encompassed what audit work should be performed, however senior management and the board may provide a general direction as to the scope of work and activities to be audited.

In addition, (Moeller & Witt 5th year) perspective of internal audit work standard, the central point regarding the scope of work standard is the internal audit accomplish objectives of assisting management through the review and evaluation of various internal controls. The scope of work standard provides a general map describing the activities of internal audit. The higher level objective achieved are protective services of safeguarding improvement of resources utilization in term of economic, efficiency and effectiveness. The scope of work standard provides a general map describing the activities of internal audit.

4. Performance of Audit Work

IIA standard set in standard number 400, audit work should include planning the audit, examining and evaluation information, communicating result and following up.

Internal audit is responsible for planning and conducting the audit assignment, subject to supervisory review and approval.

Perspective performance of audit work, this section on performing audit work focuses on the four sequential phases of an audit, planning the audit, examining and evaluating information, communicating result and following up. These process build on standard of independence and as result, unavoidable overlaps with the standard on professional efficiency and scope of work.

5. Management of Internal Auditing Development

The management of internal audit, based on the standard of IIA number 500, the director of internal auditing should properly manage the internal auditing department.(Cited Moeller & Witt 5th year)

The director of internal auditing is responsible for properly managing the department so that: 1) audit work fulfills the general purposes and responsibilities approved by management and the board, 2) the resources of the internal audit department are efficiently and effectively employed and 3) all audit work conforms to the professional practice of internal auditing.

2.1.4 Skill and Training

Adherence to internal audit principle provides sound internal audit result that impact management decision making strength corporate governance principles. This required a carefully orchestrated skill set and though training. Starving for the skill set requires a good requirement process, appropriate training activities, adequate certification and most important sufficient experience in audit practice. (Schartmann 2007).

That is the certification of internal auditor both national and international in Indonesia. (Effendi 2007)

a. Qualified Internal Auditor (QIA)

QIA is a degree qualification in the field of internal auditing, which is a symbol of professionalism of the individuals who bear that title. QIA's degree is also recognition that the holder has the knowledge and skills that align with world-class qualifications of internal auditors.

QIA is given by the Certification Board consisting of elements of the internal audit profession's leading organization in Indonesia that is an element of Finance & Development Supervision Agency (BPK), the Communication Unit of Internal Control, The Institute of Internal Auditors (IIA) Indonesia Chapter, Association of Internal Auditors Indonesia (PAII), YPIA and academics and business practitioners who have the competence and commitment to internal auditing. Until now, YPIA is the only institution that is authorized by the Board of Certification to provide education and certification test QIA.

QIA's degree can be obtained by an auditor after undergoing a series of training and passed the exams conducted by the Institute of Educational Management Audit / Internal Audit Education Foundation (YPIA) consisting of 5 (five) levels, as follows:

1. Internal Audit Training Ground Level I.
2. Internal Audit Training Basic Level II
3. Internal Audit Training Advanced Level I
4. Internal Audit Training Advanced Level II
5. Internal Audit Training Managerial Levels.

b. Professional Internal Auditor (PIA)

Accounting & Finance Development Center State College of Accountancy (PPAK STAN) provides recognition for the provision of the Internal Auditor Professional certificate (PIA) of the participants of Education & Training of internal auditors who have completed the five stages of training internal auditors are:

- 1) Audit Training Basics.
- 2) Operational Audit Training.
- 3) Psychology Training and Communication Audit.
- 4) Fraud Audit Training.
- 5) Training Audit Management Tasks

In addition to the training participants who have followed the five stages of training, the Internal Auditor Professional certificates are also given for the Head of Internal supervisory and the Head of the Regional Board of Supervisors who have attended Special Training organized by STAN PPAK.

c. Certified Internal Auditor (CIA)

Certified Internal Auditor (CIA) is the only certification of internal auditing field internationally recognized. CIA degree used as one of the recognition of integrity,

professionalism and competence of the holder in the field of internal auditing. CIA certificate holders will receive the recognition that high because the CIA program known for having a standard of knowledge, integrity and professionalism are also high. Certification issued by The Institute of Internal Auditors (The IIA).

2.1.5 Challenge of the 21st Century Internal Auditor

According to Effendi (2007), there are some challenges of internal auditor in recent year that different from old standard of internal auditors.

1. Risk- based Orientation

Internal auditors should change the conventional approach of audit to audit based on risk (risk based audit approach). Patterns based on the audit risk approach undertaken by internal auditors are focused on the problem of risk assessment that is formulated on a risk based audit plan. Based on risk assessment can be known risk matrix, which can help internal auditors to prepare the audit risk matrix.

The benefits of internal auditors when using risk based audit approach, including the internal auditors will be more efficient and effective in conducting the audit, so it can improve the performance of Internal Audit Department. Internal auditors should also be changed from the old paradigm to a new paradigm, characterized by changes in orientation and the role of the profession of internal auditors. The main differences between the old paradigms with a new paradigm as follows:

Descriptions	Old Paradigm	New Paradigm
Role	Watchdog	Consultants & Catalysts
Approach	Detective (Detecting Problem)	Preventive (prevent problem)
Attitude	As Police	As business partners
Adherence	compliance All policy	relevant policy
Focuses	The weakness / deviations	Constructive solution

Communication with management	Limited	Reguler
Audit	Financial / compliance audit	Financial, compliance, operasional audit.
career path	Only as auditors	Growing area (a career in other f area and functions)

2. Global Perspective

Internal auditors should have broad-minded and judge things in as a global rather than as a narrowly (micro). In the current era of globalization, there are no more boundaries between states in running a business.

3. Governance Expertise.

Internal auditors should carry out the principles of Good Corporate Governance (GCG) and Good Government Governance (GGG). Internal auditors should have sufficient knowledge about GGG and GCG. Internal auditors have important role in the implementation of GCG in company and GGG in government. Effectiveness of internal control system and the internal auditor is one of the assessment criteria in the implementation GCG. Internal auditors should use their competence and work in a professional manner so as to added value for organization. In order to add value of internal auditor, it should be able to conduct an assessment of:

- a. *Operational & quality efefctiveness.*
- b. *Business Risk*
- c. *Business & process control.*
- d. *Process & business efficiencies.*
- e. *Cost reduction opportunities.*
- f. *Waste elimination opportunities.*
- g. *Corporate governance efectiveness.*

4. Technologically Adept.

Internal auditors should keep the growth of technology, especially Information Technology. Internal auditors should have the technology proficiency, such as experts in the field Audit Information System). If needed internal auditor should required take the title of the certification Certified Information Systems Audit (CISA). In addition internal auditors should be able to use the capabilities in technological skills for analysis / risk mitigation, improve process and efficiency upgrades.

5. Business Acumen.

Internal auditors should have high entrepreneurship soul, to follow every development in the business process. In the past, internal auditors more forward role as a watchdog, this time the internal auditors are expected to act more as business partners for management and more oriented to give satisfaction to the management ranks as a customer satisfaction.

6. Creative Thinking & Problem Solving

Internal auditors should always think positive and innovative also more oriented toward problem-solving. To be a problem solver's internal auditors require many years of experience auditing functions, work units of an organization or company.

7. Strong Ethical Compass

Internal auditors should always maintain the code of ethics and morality based on religious teachings in performing their duties, so that can avoid unbecoming behavior.

8. Communication Skills.

The work of internal auditors is closely linked to other organizational units such as management, audit committee, external auditor (public accounting firm), therefore the internal auditors should establish good communication with other parties. In this regard, internal auditors need to have skills in communication, both verbal and written.

2.1.6 Conclusion

To become internal audit profession, there are several things that need to be carried out by internal auditors, as follows:

1. Internal auditors carry out the professional standards and code of ethics established by professional organizations consistently
2. Internal auditors should always keep abreast of current business environment is very fast and rapid information technology
3. Internal auditors should always follow the latest developments of the concepts & techniques in the internal auditing profession through continuing education (PPL).
4. Internal auditors should always enhance the capabilities in the field of communication (communication skills) both orally and in writing.

2.2 Corporate Governance

2.2.1 Definition of Corporate Governance

The term of "Corporate Governance" is subject to many varying definitions. Broadly viewed, the Forum for Corporate Governance in Indonesia (FCGI) defines Corporate Governance as

"a set of rules that define the relationship between shareholders, managers, creditors, the government employees and other internal and external stakeholders in respect to their rights and responsibilities, or the system by which companies are directed and controlled."

In addition, the FCGI also points out that objective of Corporate Governance is "to create added value to the stakeholders." More narrowly, the terms of Corporate Governance can be used to describe just the role and practices of the board of executives/the board of directors, the board of commissioners, managers, and shareholders.

2.2.2 Definition of Good Corporate Governance

The good governance concept is the answer of the question about company management that is not healthy. Eventhough the concept of good corporate governance is not the new concept, but there is many misunderstanding about interpretation of good corporate governance, because they interpreted the good corporate governance accordance interest of company.

Ministerial Decree of BUMN No.Kep-117/M-MBU/2002 dated August 1, 2002 about the Implementation of Good Corporate Governance Practices in State-Owned Enterprises (BUMN), stressed the obligation for the state to implement Good Corporate Governance consistently and make the principles of good corporate governance as the cornerstone of its operations, which basically aims to enhance the success of the business and corporate accountability in order to realize shareholder value in the long run by taking into account the interests of other stakeholders, and based on legislation and ethical values.

In the concept, good corporate governance is the system about the management and supervision of a company or organization. So that the good corporate governance structure should have criteria as follow:

- a. There is separation of between right and obligation in company entity such as management, shareholder and stakeholder. And also there is separation in owner and management
- b. There is clear base and norm shareholder to realize company management must obey procedure and policy, especially the policy related to the company.

2.2.3 Background of Good Corporate Governance

The background of the need good corporate governance can be viewed from a practical background and academic background. (www.bpkp.go.id)

- a. From a particular background can be seen from the experience of the United States should restructure corporate governance as a result of market crash in 1929. Allegedly poor corporate governance as one of the causes of Indonesia's political economic crisis that began in 1997 whose effects are still felt today.

The financial crisis that occurred in the United States at this time also suspected due to failure to apply the principles of good corporate governance, several cases of financial scandals such as Enron Corp., Worldcom, Xerox and others involving top executives describe the company's failure to apply Principle-GCG.

- b. From an academic background, good corporate governance need good corporate governance needs arise relating to the principal-agency theory, namely to avoid conflicts between the principal and agent. Conflicts arise because of differences in interests must be managed so as not to cause harm to the parties.

Corporation formed and its separate entity which is a separate legal subject, so that the existence of the corporation and the interested parties (stakeholders) must be protected through the implementation of GCG.

In addition to the model approach and the Stakeholders Theory Agency Theory mentioned above, studies the problems of GCG by academic and practitioners are also based on the Stewardship Theory, Management Theory and others.

2.2.4 Principle of Good Corporate Governance

In the context of growing awareness of the importance of Corporate Governance, the Organization for Economic Corporation and Development (OCED) has developed a set of principles of good corporate Governance and can be applied flexibly according to circumstances, culture and traditions of each country.

These principles are expected to be a point of reference for the regulators (government) in building the framework for the implementation of Corporate Governance.

For business and capital markets of these principles can the guidance or guidelines for best practices in collaboration to increase in the valuation and sustainability of the company.

There are five essential elements of Corporate Governance elaborated by the OECD (Organization for Economic Co-operation and Development). The elements are:

- 1) Fairness. Ensuring the protection of shareholder rights, including the rights of minority and foreign shareholders, and ensuring the enforceability of contracts with resource providers.
- 2) Transparency. Requiring timely disclosure of adequate, clear and comparable information concerning corporate financial performance, corporate governance, and corporate ownership.
- 3) Accountability. Clarifying governance roles and responsibilities, and supporting voluntary efforts to ensure the alignment of managerial and shareholder interests, as monitored by the boards of directors (or board of commissioners in Two Tiers System, FCGI)
- 4) Responsibility. Ensuring corporate compliance with other laws and regulations that reflect the respective society's value. (OECD Business Sector Advisory Group on Corporate Governance, 1998)
- 5) Independency. That is a situation where a professionally managed company without conflicts of interest and influence / pressure from any party inconsistent with the legislation in force, and principles of a healthy corporation (I Nyoman Tjager et.al, 2003). To accelerate the implementation of the principles of good corporate governance, companies must manage independently so that each organ of the company not dominates the other and no intervention by other parties.

2.2.5 Factor in Implementing Good Corporate Governance

The successful implementation of GCG also has its own requirement; there are two factors that play a role the external and internal factors. Mintara (2008)

1. External factors

The definitions of the external factors are several factors that originate from outside the company that greatly affect the success GCG. Among them:

- a. The good legal system so as to ensure a consistent enactment of the rule of law and effective.
- b. Support the implementation of GCG of the public sector / institution governance that is expected to also implement the Good Clean Governance and Good Government to Government Actual governance.
- c. The presence of an appropriate example of the implementation of GCG which may be a standard implementation of GCG effective and professional. In other words, a kind of benchmark.
- d. The founding of the system of social values that support GCG in the community. This is important because through the system Active participation is expected to arise among the various community to support the application and dissemination of good corporate governance voluntarily.
- e. Another thing that is not less important as a prerequisite successful implementation of GCG, especially in Indonesia is the spirit of anti-corruption thrive in the environment in which public companies operate with some improvement issues of education quality and expansion of employment opportunities. It can even be said that the improvement of public environmental greatly affect the quality and scores companies in implementation of GCG.

2. Internal factors

The purposes of internal factors are driving the successful implementation of GCG practices that originate from within the company. Several factors are referred to among others:

- a. The presence of corporate culture (corporate culture) that support the implementation of GCG in the mechanism and system management work in the company.
- b. Various regulations and policies issued by companies refer to the application of the values of good corporate governance.
- c. Management Company also has risk management to control the rules of good corporate governance standards.
- d. The presence of system audit (inspection) are effective in company to avoid any deviations probably will happen.
- e. The openness of information for the public to be able understand every move and step in the management company so the public can understand and follow every tramp development and dynamics company from time to time

Beyond these two factors above, other aspects of the most strategic effectively support the implementation of GCG is highly dependent on the quality, skill, credibility, and integrity of the various parties to move the organ company. To be sure, if the various important aspects of good corporate governance principles and violated a company, then it is certainly the company will not be able to last long in today's competitive global business, despite the company's have a conducive environment for business growth.

As experienced by business giant Enron Inc. in the U.S. some time ago. In the case of Enron, the layered control system was unable to prevent a group of leaders satisfying his greed for his own interests. Inc. Enron executives who should have a moral

obligation to give an honest financial data necessity as a public company, it did not perform that task.

2.2.6 Board of Commissioners

The Board of Commissioner has very important roles in the company especially in the implementation of good corporate governance. According to Zehnder (2000), the The Board of Commissioner lies at the core of corporate governance - charged with ensuring strategic guidance, monitoring management and providing accountability.

The The Board of Commissioner is primarily an oversight and guidance mechanism. Since management is responsible for the firm's efficiency and competitiveness, and The Board of Commissioner is responsible for monitoring management, the BoC is the proper focal point of the corporation's perpetuation and success. (Zehnder International, 2000, cited on FCGI booklet)

- a. Furthermore the key The Board of Commissioner functions consist of: (OECD Principles of Corporate Governance)
- b. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures;
- c. Reviewing key executives and board remuneration, and ensuring a formal and transparent board nomination process;
- d. Monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions;
- e. Monitoring the effectiveness of the governance practices under which it operates and making changes as needed

- f. Overseeing the process of disclosure and communication

2.2.7 Audit Committee

One of the aforementioned committees, the audit committee, has separate tasks in term of supervising and assisting the board of management in fulfilling its oversight responsibilities. For instance, the Audit Committee has the power to conduct or authorize investigation into matters within the committee's scope of responsibilities. The Institute of Internal Auditors (IIA) recommends that every public company have an audit committee organized as a standing committee .

The Institute also encourages the establishment of audit committees in other organizations including not for profit and governmental bodies. The audit committee should consist solely commissioners who are independent, independent of management. The primary responsibilities of the audit committee should be assisting the BoC in carrying out their responsibilities as they relate to the organization's accounting policies, internal control and financial reporting practices.

(The Institute of Internal Auditors, Internal Auditing and The Audit Committee: Working Together Toward Common Goals) In general, audit committees exercises responsibility in three areas, namely:

- a. Financial Reporting.
- b. Corporate Governance.
- c. Corporate Control.

2.2.8 Board of Directors

Board of Directors as an organ of the company that in charge and responsible in managing the company. Each member of the Board of Directors may perform tasks and make decisions in accordance with the division of tasks and authority. However, implementation of tasks by each member Directors remains a shared responsibility.

The position of each Board of Directors including the President Director is equivalent. Duty Director as primus inter pares is to coordinate the activities of the Board of Directors. So Directors duties can be run effectively, the principles need to be met follows:

1. Composition of the Board of Directors should be such that it allows decision-making in an effective, precise and fast, and can act independently.
2. Directors have the professional integrity and have experience and skills necessary to carry out their duties.
3. Directors are responsible for the management company for making a profit (profitability) and ensure continuity business enterprises.
4. Directors to account in the GCG in accordance with laws and regulations applicable

2.2.9 Benefits of good governance

1. Good corporate governance ensures corporate success and economic growth.
 2. Strong corporate governance maintains investors' confidence, as a result of which, company can raise capital efficiently and effectively.
 3. It lowers the capital cost.
 4. There is a positive impact on the share price.
 5. It provides proper inducement to the owners as well as managers to achieve objectives that are in interests of the shareholders and the organization.
 6. Good corporate governance also minimizes wastages, corruption, risks and mismanagement.
 7. It helps in brand formation and development.
 8. It ensures organization in managed in a manner that fits the best interests of all.
- (management study guide website)

2.3 Internal Auditor in Corporate Governance

Overmyer and Purcell 2010 said that internal audit practice at one company provides a potentially useful model for how other corporate boards can benefit from their own governance audit.

2.3.1 Relationship of Internal Auditor and Corporate Governance

According to IIA

'Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

The Institute of Internal Auditors (IIA) further defines 'Governance' as 'The combination of processes and structures implemented by the board in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.

The mere definition of internal auditing and the standards drawn up and implemented by the IIA give the internal auditor not just the mandate but the obligation to contribute in any way possible (consulting or assurance) to the evaluation of the corporate governance process.

However, some 'Standards' and 'Practice Advisories' of the IIA deal more specifically with aspects of corporate governance.

Three standards in particular draw the attention in this context:

1. Performance standard 2100

Performance standard 2100 'Nature of the work' reads as follows:

'The internal audit activity evaluates and contributes to the improvement of risk management, control and governance systems'.

The standard gives a very general description of the work of the internal auditor. The practice advisory pertaining to this standard further explains all aspects that are to be understood in the standard. It determines the scope of the internal auditing work, lists the responsibilities of management and goes on to define how the auditor's evaluation leads to an appraisal of the overall management process.

2. Implementation standard 2120.A1

Implementation standard 2120.A1 deals in particular with the assurance aspect provided by the internal auditor on the adequacy and effectiveness of controls encompassing the organization's governance, operation and information systems. These include: —

- a) reliability and integrity of financial and operational information
- b) effectiveness and efficiency of operations
- c) safeguarding of assets
- d) compliance with laws, regulations and contracts

Again the practice advisory provides further information, and in doing so points in every sense to corporate governance

3. Performance standard 2130

Performance standard 2130 deals in particular with 'Governance': 'The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- a. promoting appropriate ethics and values within the organization
- b. ensuring effective organizational performance management and accountability
- c. effectively communicating risk and control information to appropriate areas of the organization
- d. effectively coordinating the activities of and communicating information among the board, external and internal auditors, and management.

Once more, the practice advisory goes on to explain in detail the full contents of this standard in dealing with aspects such as compliance with society's legal and regulatory rules, accepted business norms, ethical precepts and social expectations. It explains what is understood under governance & organizational culture and how the internal auditor can play an active role in the support of the organization's ethical culture listing a number of 'ethical' features the internal auditor should evaluate.

Continuous working towards improving the quality of the added value of the internal audit department is equally an element of striving for good corporate governance.

2.3.2 Internal Control and Corporate Governance

Cattrysse (2005) explain the subject 'internal control' which so many codes refer to as a matter, on the effectiveness of which, the boards should report on at least annually. The Combined Code for instance prescribes the following 'The Board should maintain a sound system of internal control to safeguard shareholder's investment and the company's assets'. It goes on as follows: 'The directors should, at least annually, conduct a review of the effectiveness of the group's system of internal control and should report to shareholders that they have done so.

The review should cover all controls, including financial, operational and compliance controls, and risk management. And the final provision on 'internal control' says: 'Companies which do not have an internal audit function should from time to time review the need for one.

Management should report on the effectiveness and efficiency of the internal control system to the board and the board in its turn should review the system. In other words, the board needs to convince itself that the system that has been put in place by management actually is effective and efficient and that it does address all aspects of risk and that it does contribute to the achievement of the objectives of the organization.

The board will achieve this by 'information gathering' from different sources such as the management itself, external auditors and not in the least internal auditors. 'However, it is unlikely that companies without a strong internal audit function will be able to provide an audit committee (the board) with sufficient information to fulfill its responsibilities.

Consequently, recommendations have been made for the appointment in major companies of a chief internal auditor to lead a strong internal audit team that is capable of providing the audit committee with sufficient information to fulfill its responsibilities on behalf of the board. The important point is that internal control is intertwined with and directly affected by the dynamics of corporate governance.

2.3.3 The Role of Internal Audit in Corporate Governance

Direction is no longer an internal auditor as watchdog but as a consultant who can add value and improve company operations. By doing role in promoting the implementation of risk management, control, and governance processes good corporate governance.

Furthermore, the role of the internal audit function can also be seen from the insight, oversight and foresight (Mulan 2010). The function of insight is the implementation of operational oversight into the company, namely the internal auditors overseeing the implementation of efficiency, effectiveness and economic enterprise.

Oversight function is the function of supervision over the entire process of corporate activities, including strengths and weaknesses. While the internal auditor should be interpreted foresight have the foresight, give predictions as well as anticipation for progress of the company.

As we know, the basic function of auditing is an independent appraisal of internal control companies, including control over financial reporting. In the corporate structure governance, internal auditors are one of the supporting organs of the main organs of company director.

Relationship Internal Audit and GCG are based on Steinberg dan Pojunis (2000) is :
“Internal auditors have the opportunity to recognized as delivering value at the highest level of their organizations—by enhancing corporate governance. The revised definition of internal auditing indicates that the professions’ scope now include evaluating and improving the effectiveness of a company’s governance.(Cited on Purwanigsih 2008)

In additional Cattrysse (2005) ‘Since it is the job of internal auditor to help an organization to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process, the internal auditor has an important role in the corporate governance process”.

The function of internal auditors in the implementation of GCG was to conduct monitoring all control activities, provision of reasonable assurance, internal advisory, and monitoring of environmental control, including business and employee behavioral problems.

Internal role in fulfilling the demands of good corporate governance according to survey results conducted by Price Waterhouse Coopers (2007) showed that 79% of response of the internal auditor, reported that their function in implementation of Good Corporate Governance (GCG) in the company are:

- 1) Measuring the effectiveness of the structure and implementation of good governance in company.
- 2) Provide specific recommendations for the development of processes and activities corporate governance.(Cited on Wulan 2010)

Moreover internal activities in good corporate governance according KPMG Hongkong (2003) are:

1. Assessing the scope and effectiveness of the systems established by management to identify, assess, manage and monitor the various risks arising from the organisation’s activities.

2. Ensuring senior management establishes and maintains adequate and effective internal controls.
3. Satisfying itself that appropriate controls are in place for monitoring compliance with laws, regulations, supervisory requirements and relevant internal policies.
4. Monitoring and reviewing the effectiveness of the internal audit function.
5. Reviewing and assessing the internal audit plan and its progress.
6. Ensuring that the internal audit function is adequately resourced and enjoys appropriate standing within the organisation.
7. Considering management's response to major internal audit recommendations and progress in their implementation.
8. Approving the appointment or dismissal of the head of internal audit.

2.3.4 Conclusion

The internal audit function in carrying out the evaluation of governance activities in company, include the following:

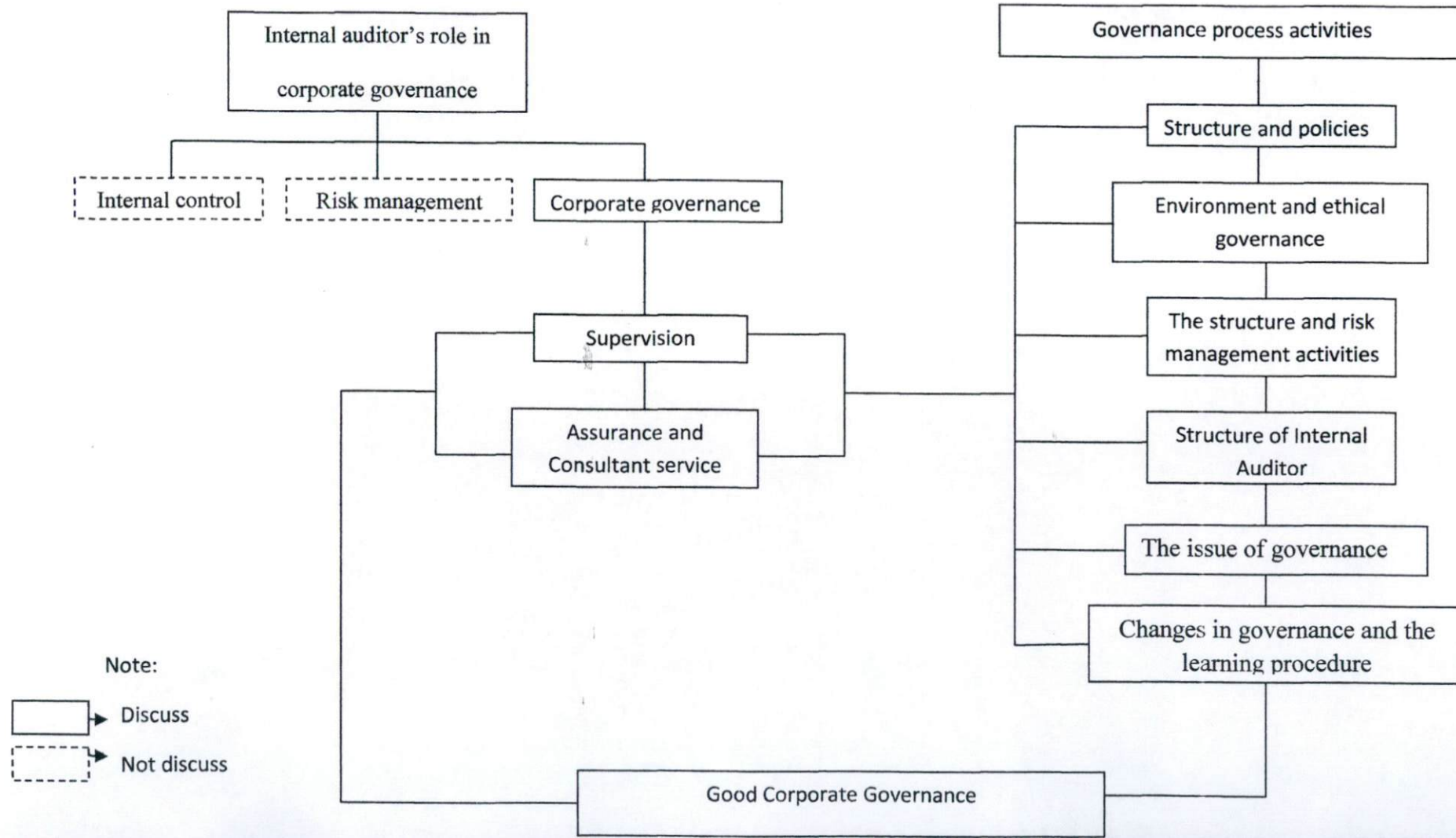
- a) The whole structure and governance policies
- b) Environmental and ethical governance
- c) The structure and risk management activities
- d) Structure and internal audit firm.
- e) The procedure to appoint and seek settlement of the issue of governance
- f) Changes in governance and the learning procedure.

All of these efforts that are done by internal auditor aim to good corporate governance.

According this conclusion the author make the relationship model of internal auditor and corporate governance, it has been showed in figure 2.1.

Figure 2.1

The model of internal auditor and corporate governance



CHAPTER III

RESEARCH METHODOLOGY

Research is a form of scientific activities to obtain knowledge or truth. To discover the truth of the logical and supported by the facts we should do some research first. That is the nature of research as a scientific activity. In scientific research, one of element is the scientific method that used to solve the problem research. To present the research report that can be utilized so in this research use scientific method that includes the following:

3.1 Research Object

This research conducted at Perum Pegadaian Branch Office of Padang. This company stated at Proklamasi street number 22 Padang, Sumatera Barat.

3.2 Scope of Research

The focus of this research is the function of internal audit in Corporate Governance Perum Pegadaian Branch Office of Padang.

3.3 Research Design

This research is case study at Perum Pegadaian Kantor Cabang Utama Padang. According to Indiantoro and Supomo (1999), the case study is a research that has problem characteristic associated with the background and current condition of the subject that investigated and also its interaction with environment. Object under study can be individual, group, institution or community in order to conduct study and deeply investigated to know the certain subject and give the complete about that subject.

Zonabend (1992) stated that case study is done by giving special attention to completeness in observation, reconstruction, and analysis of the case under study. Based on this opinion, this research is hold by giving special attention to completeness in observation, and analysis role internal audit in corporate governance.

According to Sekaran (2003) case studies that are qualitative in nature are, they are useful in understanding certain phenomena and gathering further theories for empirical testing. So, in this research the method that use is descriptive qualitative analysis research in term of case study. Based on Bogdan and Taylor (1990), qualitative approach is a research approach which use data in term of written sentence or oral, attitude, phenomena, event, knowledge or study object (Siska 2010). The purpose of descriptive study is to give clear description about the real condition of research object. Data obtain will be analyze then compare with theoretical framework so that it can be deduce. This method expected can give recommendation and advice that needed.

3.4 Type and Source of Data

This study did not use samples because of the object under this study only one company. Type of data used in this research qualitative data which is not express with numbers. While the data source in these research from the objects in this research are:

1. Primarily Data is certain type of information such as perception and attitude of object research are best obtained by talking to them and data obtained by direct observation, interviews and documentations.
2. Secondary Data is data gathered through existing source and the information obtained from the books and literatures as well as data in the form of document of reports from related parties are related.

3.5 Data Gathering Method

In this research the author will do several research method in gathering and analysis the data, they are:

1. Literature Study

Literature study generally conducted to obtain the theoretical use to obtain theoretical basis and guidelines in the research. This is done with studying books, journals, articles and others which are relevant with the topic that discussed in this research.

2. Field Study

Field study is start with observation, is where the researcher observed phenomena of interest in the environment studied to draw information which is not obtainable from other methods. What had been observed by the researcher is related to the physical setting and environment within that the internal audit and risk management took place. Observation generated insight and better understanding on the phenomena under studied.

The next step is interview, it is did by interview related parties or stakeholders to get data information that needed. Interview responded to obtain information on the issues of interest and interview could be unstructured or structure conducted either face to face or by telephone or online (Sekaran, 2003). Unstructured interview is choice rather than structure interview because it offers sufficient flexibility to approach different respondents differently while still covering the same areas of data collection. The type and nature of the questions asked of the individuals might vary according to the job level and type of work done by them. Later, the author use open questions for interviews so the

information gathered will be more detailed and unlimited. The interviews were tape-recorded and get note to secure an accurate account of the conversations and avoid of losing data since not everything can be written down during interview.

3.5.1 Data Needed

In conducting this research, the steps that author do to analyze the research problem that is collecting that data related to:

1. Organization Structure

The author need organization structure in this research because it's describe how the flow of responsibility in Perum Pegadaian.

2. Internal Audit scope in Perum Pegadaian

The scope internal audit consists of Vision, Mission and factions of internal audit in Perum Pegadaian.

3. The principle of corporate governance in Perum Pegadaian.

4. The governance structure in Perum Pegadaian

5. The standardization of internal audit staff who competence and audit guidelines on Perum Pegadaian.

These data will be analyzed and will be matching with interview result to evaluation the role of internal audit in corporate governance and giving recommendations that needed to Perum Pegadaian.

3.5.2 Data Analyzing Method

Analyzing the data is the last step in this research. According to Miles and Huberman (1984), suggest analytic techniques such as reengaging the array, placing the evidence in a matrix of categories, creating flowchart or data displays, tabulating the frequency of different

events, using means, variance and cross tabulating to examine the relationship between variables and other such techniques to facilities analysis. Moreover Yin (1989) 2 strategies that commonly used are based on preposition theory research and analyze evidence under the theory and describing the case that be framework in the research.

Analyze method used in this research are combination from some of analysis technique qualitative data to process data, it consist the following step. First, based on Milles and Huberman (1984), rearrange the data that have been gathered, direct evidence on the matrix and creating flowchart or data display. The author did not do cross tabulation to test the relationship among variable because this is qualitative research. So under this technique the author gathers data into a format to facilitate the process and to be more understandable. Then the data is sorted to obtain relevant data with research topic and the researcher observe dynamics of the research object and collect any experience and problem happen in research object.

The next step by Yin (1989) about theoretical propositions of study and analyze the evidence based on those propositions, will be implemented by author by conducting some data review based on theoretical literature on chapter II. So the author makes comparison whether or not there are similarities between theoretical guidelines with the results. The core of work is interpreting data will use deductive method. Deductive method is the process of arriving art conclusion by interpreting the meaning of result of data analysis. And the end of data interpretation, the author will provide the report of research for general use.

3.5.3 Research Method Model

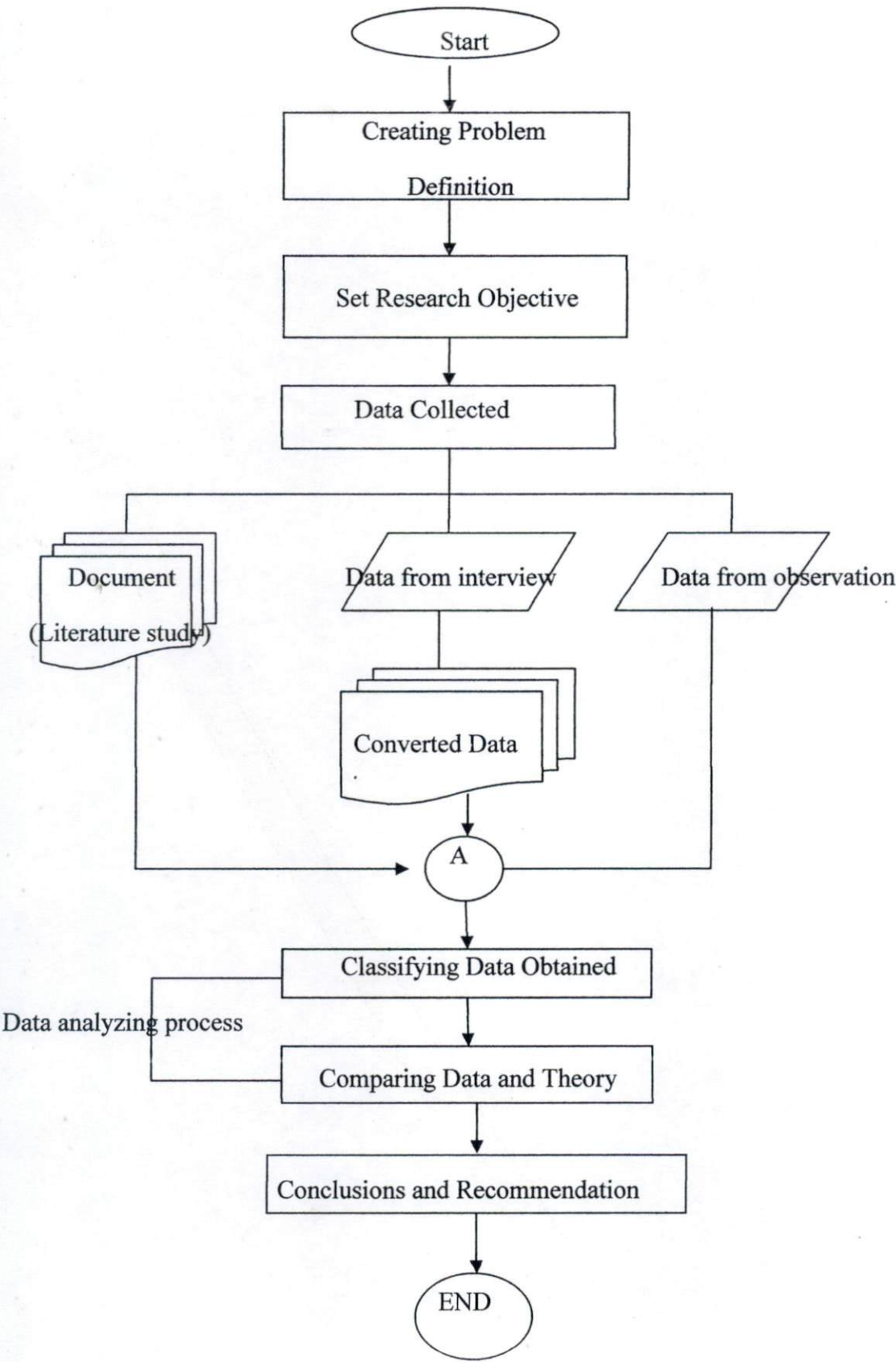


Figure 3.1 Research Method Model

Explanations of Model

Creating Problem Definition Step

The first step that the author does in this research is creating problem definition to make clear about the object and the problem that will be investigated. The author finds out the research problem from some references are book, internet browsing and survey about the company that will be investigated. So, from that reference the author creating the problem definition of this research is about how the internal audit functions in Perum Pegadaian.

Setting Research Objective

The next step is setting the research objective, the research objective in this research is to study about the role of internal audit and the function of internal audit in corporate governance of Perum Pegadaian

Data Collection Step

All data collected from all source is gathered and then classifies in term of each sources. There are three kinds of data derived according to data collection method. They are documents derived from literature survey of the company, notes from the filed observation and raw data from interviews with several parties involved.

Data converting step

To make the author easier get into the result of the result of research the raw data from observations and interviews should be converted into writing first the result is data in forms of document together with pervious documented data.

Step Data Analyzing Process

Previous step we converted data into document so that it ready to analyze. All documented data is used to answer the research problem. The analysis of data is conducted in order to found the clear description and answering the problem definition of this research.

Step Conclusion

All result then concludes whether the result of research has appropriately matched with expectation.

CHAPTER IV

DISSCUSION AND ANALYSIS

4.1 Company Profile

4.1.1 History of Perum Pegadaian

Pawn business in Indonesia began in the XVIII century when Vereenigde Oost Indische Compagnie (VOC) came to Indonesia for business. VOC, in the framework of smooth running its business operation, established Bank Van Leening, a credit institution extending credit on pawning system. The Bank van Leening was duly established in Batavia on 20th August 1746 based on the Decree of Governor General Van Imhoff.

In 1800 after the dismissal of VOC, Indonesia was under the Dutch government control. Dutch government through Governor General Daendels issued a regulation governing in details type of collateral such as golds, silvers, fabrics and home appliances that are allowed to be pawned in relative short-term period.

When the United Kingdom took over Indonesia from Dutch (1811-1816), Governor General Thomas Stamford Raffles (1811) decided to liquidate Bank Van Leening and issued a regulation stating that any body is allowed to establish pawn business under local government license. Government, upon the sale of licenses gained extra incomes.

When Dutch came to its power again in Indonesia in 1816, Dutch government considered that any pawn shop established during the British control were mostly detriment to the people, the licensees were corrupt, business for owned interest upon high interest imposition. Based on the study conducted by research institute led by Wolf van Westerrode in 1900, pawn business was recommended to be directly managed by government for better protection and more benefit to debtors.

Based on the study, the government issued Staatsblad No. 131 dated 12th March 1901 that principally governs that establishment of pawnshop is monopoly and government only runs such business accordingly. In accordance with this law, the first state pawn shop was established in Sukabumi city (West Java) on 1st April 1901. Thus, each 1st April is the anniversary of Pegadaian.

Since the beginning of the independence, pawn shop is managed by Government and severally amended the status as State Company (PN) as of 1st January 1961, then based on Government Regulation No.7/1969 changed to be Perusahaan Jawatan (PERJAN) and then upon the Government Regulation No.10/1990 (renewed with Government Regulation No.103/2000) changed again to Perusahaan Umum (Perum) up to present time.

(Compiled from annual report of Perum Pegadaian 2009)

4.1.2 Vision and Mission

Perum Pegadaian Vision

“In 2013, Pegadaian become “Champion” for micro and small financing institution of pawn and fiducia based for middle to lower class communities.

To anticipate the upcoming of private pawn law, it is believed that the competition ahead of us is tighter because whoever owns capital will be able to be in this business. Prior to the competitors enter this business. Pegadaian would have to prepare to become the market leader. The preparation has to begin with firm action that is opening as much outlets as possible where the public can easily access.

Perum Pegadaian target is to provide convenience for micro and small enterprises because it has been proved that these business scales were the survivor of the 1997 crisis. The role of micro and small enterprises will be enhanced by the fast and secure financing provided by Pegadaian.

Pegadaian vision as described above is not an impossible thing to achieve, determination and our full efforts have been aimed to achieve this vision.

Perum Pegadaian Mission

From the purpose and objective of the company referred to above, Perum Pegadaian formulates a mission of the company relating to the limits of business areas, market targets and increasing efforts of company's benefit for stakeholders. The formulation of mission of the company is stated with the following phrases:

1. To support government program in improving the people's welfare mainly the middle to lower class by providing the best financial solution though micro and small credit programs based on pawn and fiducia.
2. To provide benefit to the stakeholders and implement good corporate governance consistently.
3. To carry out other activities in optimizing our resources.

4.1.3 The Products Served

Core Business

1. Pegadaian KCA (Safe Fast Credit)

Pegadaian KCA or Safe Fast Credit is a loan based on pawn rules with safe, easy and quick procedure. Collateral as guarantee covers gold jewelries/precious stones, vehicle (car/motorcycle), electronic, fabric and other home appliances. The credit plafon is start from Rp 20.000 up to Rp 200.000.000 with maximum service fee 1,3% per 15 days and maximum credit term is 4 months however it could be extended by installment method or by repeated the pawn credit and could be paid at any time with proportional interest calculation at credit term.

2. Pegadaian Rahn

Pegadaian Rahn is pawn service product on sharia principle-basis referring to modern administration system. The credit plafon is similar with Safe Fast Credit (KCA), however the different is on interest calculation method. Administration fee in Shariabase Pawn is paid in advance, when starting new credit / extended credit for the minimum fee is Rp 1.000 and maximum Rp 60.000 for the maximum loan Rp 200.000.000. The charge for Ijarah fee is Rp 80 - Rp 90 per 10 days credit period for every multiple of Rp 10.000 from the appraisal of collateral.

Non-core Business

1. Pegadaian Jasa Taksiran

Pegadaian Jasa taksiran is a form of service to the people who want to know content and quality jewelry treasures, gold, diamond and gemstone, either for investment or business purposes,

2. Pegadaian Jasa Titipan

Pegadaian jasa titipan or Safekeeping service is services rendered to the people desiring to entrust their valuable properties mainly those living their home for long period, for instance, pilgrimage and travel out of the city or students on vocation.

3. Pegadaian Kreasi

Pegadaian Kreasi or Fiduciary-base Credit is loan extended to micro-small-sized business (for business development) with fiduciary security scheme and installment repayment basis with credit term 12 up to 36 months. The credit procedure is by submitted Motor Vehicle Owner Book (BPKP) as collateral with the interest fee 0,9% per month, flat. Kreasi is modified old product formerly known as Pegadaian Business Feasibility credit.

4. Pegadaian Krasida

Pegadaian Krasida or Pawn System Installment Credit is loan extended to micro-small-sized business (for business development) on pawnbasis. The repayment is made on installment basis with the credit term 12 up to 36 months, and the customer will get interest discount if the credit paidall at once. The interest rate is 0.9% per month,flat.

5. Pegadaian Kresna

Pegadaian Kresna or Multipurpose Credit is loan extended to employee for productive / consumptive activity on installment repayment basis with credit term of every 3 months multiple, minimum 12 months and maximum60 months. The maximum credit plafon is 1/3 from total net salary. Kresna is a modified old product formerly known as credit for employee.

6. Pegadaian KTJG

Provide loans / advances quickly to farmers at harvest time with a guarantee of dry milled grain to be used cover the cost of living and culture capital. It is expected that farmers can obtain competitiveness in the domestic market thus providing additional revenue opportunities and provide education for farmers to make the crop as a commodity business.

7. Pegadaian Kremada

Kremada has been launched to low income people who are members of the group for the construction of new homes and renovations. The amount of the loan Rp.5 million and Rp.10 million. This credit on customers administrative fee of 1% and 8% management fee is directly deducted in advance.

8. Pegadaian Krista

Pegadaian Krista intended for groups of microentrepreneurs(small traders / vegetable seller / vendors) who incorporated in groups that need funding for their business.

9. Pegadaian Persewaan Gedung

Pegadaian Persewaan Gedung Is a form of service provided to the public in the form of rental building meeting to conduct weddings, reunions, meetings, seminars, etc.

10. Jasa Lelang

Perum Pegadaian has a subsidiary PT. Balai Lelang Artha Grasia with the composition of shareholding 99.99% (Perum Pegadaian), and 0.01% (Drs. Deddy Kusdedi, MM). PT. Balai Lelang Artha Grasia deals with auction service to hold a public sale in accordance with the prevailing rules and legislations.

11. Pegadaian investa

Represents mortgage loans on the basis of law in a certain period of time given to customers with a guarantee in the form of shares listed and traded on the Indonesian Stock Exchange (IDX).

12. Pegadaian KUCICA (fast secure money transfers)

Pegadaian KUCICA is a form of service to the public for money transfer in / to foreign and domestic. This money transfer service in cooperation with Western Union.

13. Pegadaian MULIA

Pegadaian MULIA is gold selling by the company to customer (society) by cash or payment installment in certain period. Mulia is syariah by product that launched in 2008 was responded well by customers.

14. Pegadaian ARRUM (Fiducia with syariah basis for micro/small bussines)

Serving Islamic principled loan scheme for micro and small entrepreneurs for business development through the return system with installed payment. Collateral of the motor vehicle letter so vehicles remain in the hands of customers for the operational needs of the business.

Additional Services

a. Pegadaian G-Lab

It is estimated service units precious metals, gemstones, and other precious stones with a special certification that aims to support the business activity Perum Pegadaian in order to achieve the mission and vision of the Company. This service is available at the Head office of Perum Pegadaian.

b. Pegadaian 24

It is a form of service units as the Golden Gallery for provide MULIA products and products associated with other means of trade and production of gold. This service is available at the Head Office Perum Pegadaian.

4.1.4 Organization Structure of Perum Pegadaian

Organization structure is the structure that gives description in determination and limitation of job duties, responsible, authorization and describes the relationship between organization units and makes organization unit work together to achieve organization vision and mission.

In Perum Pegadaian set organization structure to describe the relationship between organization unit to descript job duties and responsible in organization unit of Perum Pegadaian. Perum Pegadaian has many branch in our country, through organization structure explain how the relationship among the branch and organization unit.

In Perum Pegadain there are two level, central level and representative level.

In central level consist of:

- a. Supervisory Board
- b. President Director
- c. Finance Director
- d. Operation Director
- e. Business Development Director

- f. General Affair and Human Resource Director
- g. Head of Internal Supervisory Unit
- h. Corporate Secretary

The Representative unit consists of:

- a. Representative office, consist of several branch Office
- b. Branch office consists of not less than five branch unit level

The chards of organization structure for central and representative office at Perum Pegadaian are show at Appendix A.

4.2 Scope and Condition of Internal Audit in Perum Pegadaian

4.2.1 Vision and Function Internal Audit in Perum Pegadaian

i. Vision of Internal Audit Division

Vision Internal Audit in Perum Pegadaian is to be a supervise, consultant and catalyst in order to guard vision of Perum pegadaian

ii. Function of Internal Audit Division

Internal Supervisory Unit has function to help President Director of Perum Pegadaian to do valuation about management control system and it is implementation and also give provide recommendation and suggestion of improvement.

4.2.2 Position and Structure of Internal Audit In Perum Pegadaian

Internal audit in Perum Pegadaian called internal supervisory units. Perum Pegadaian has general guidelines to help internal supervisory unit to do they responsibility as internal audit. General guidelines of internal supervisory unit Perum Pegadaian give guidance for internal supervisory units in doing inspection and supervision, internal supervisory units also need to creative to support successes implementation of inspection and the result.

Position of Internal Audit division has been setting in general guidelines of internal supervisory units of Perum Pegadaian , internal audit supervisory units have responsibility to help president director to do assessment about management control system and it implementation, also give recommendation and suggestion to improvement.

Internal supervisory units have domiciled in central office of Perum Pegadaian, to increase the efficiency and effectiveness inspection and supervision, internal supervision units placed in certain a regional and called as internal supervision unit team. That team consists of intermediate inspector as the head of team and helped by a young inspector and a staff. The team is below coordination of inspector, which placed in the center office or regional office.

The team of internal supervisory unit, based on the command of head internal supervisory unit can run audit function for central office, regional office and branch office of Perum Pegadaian. In run the inspection and supervision the team of internal supervisory below coordination of head internal supervisory unit and inspector. The internal audit structure Perum Pegadaian is show at Appendix A.

Head of Internal Supervisory Unit in do its function helped by the subordinate that showed in the structure of Internal Audit Perum Pegadaian, they are:

a. Inspector

Inspector has the function in coordinating, implementing and overseeing the testing, inspection and assessment of Management control systems and implementation of all company activities in regional offices who are in authority are stated by the board of directors. Inspectors in carrying out the duties and functions, aided by the inspector area

b. Regional Inspector

Inspector area have function to plans, organize, and control the assessment of management control systems and implementation of all company activities in the main regional offices / regions and branch offices as well as providing advice and suggestions for improvement action. In do the duties, inspector area helped by intermediate inspector and young inspector.

c. Intermediate and Young Inspector

Intermediate and young inspector has function to planning and carrying out inspection, testing and assessment of all activities of companies in key regional offices / regions and to develop appropriate authority inspection reports.

d. Administrative Manager

Administrative manager has function to plans, coordinate, organize and supervise the implementation of administrative policies and reporting inspector.

Internal audit division has responsible to do independent examination in whole operational units of Perum Pegadaian. Internal audit division work based on audit standard that has been establish in annual audit plan that approved by audit committee. Audit result of internal audit division reported independently to president director or head of regional and all level of management who authorized to conduct follow up. The audit result also attach to

audit committee and than audit committee will report the audit result and give recommendations to board of directors that conducted by internal audit.

4.2.3 Scope of work Internal Audit in Perum Pegadaian

In accordance with The Decision of the Directors No. 1480/SDM.200322/2008 dated 11 June 2008 regarding Structure of Organization and Procedure of Perum Pegadian, ,Internal Supervisory Unit have responsibility to President Director directly.

Perum Pegadaian has general guidelines accordance with The Decisiom of Director No. S-73/SPI/ IV/2007regarding Common Guide of Perum Pegadaian Internal Audit.

Tasks and responsibility of Internal Supervision Unit:

1. To compile and implement the Annual Examination Work Program(PKPT)
2. To compile guidelines, the internal mechanism of the Internal Control Unit and the risk-based audit procedures
3. Doing examination and assessment of efficiency and effectiveness of company and implement the special inspection/investigation if necessary.
4. To give suggestions for improvement and objective information about the activities of the enterprise and consulting services to every management level.
5. Doing test and evaluate internal control and risk management system is functioning in accordance with enterprise policy.
6. To ensure that the level of compliance with corporate rules and applicable legislation has been functioning well.
7. To ensure that the level of fairness and truth records, data and information in corporate activities can be justified
8. To maintain integrity, objectivity and act professionally as required by the Intern Supervisor Unit Behaviour Standards (SPI) of Perum pegadaian, including insuring there are no conflict interest.

9. To report results in the form of independent audit report containing audit findings and suggestions for improvement, addressed to director and all level of management who are authorized to conduct follow-up.
10. To monitor and ensure that all findings and recommendation for improvements have been followed up and implemented by management who are authorized to conduct follow-up.
11. To compile program to evaluate the quality of internal audit activities.
12. To make corporation with the audit committee.

4.2.4 Authority and Responsibility of Internal Auditor Division

Authority head of Internal Audit Division:

1. Perform direction and supervision of examination
2. Perform testing and assessment about examination object
3. perform inspection and request information to responsible party
4. request information and explanation on a particular case and fraud
5. take action as deemed necessary action to secure assets and company image
6. give recommendation and consideration to solve company problem
7. Give suggestion and give discipline action against
8. Perform assessment to subordinates to assessment the work performance

Responsible of Internal audit Group

- i. Head of Internal Audit has responsible for:
 - a. Arrangement and implementing the work plan and internal supervisor unit budget
 - b. Achieving the work plan and also continuity of work
 - c. Exact the report of assessment result
 - d. Exact the system and method for assessment
 - e. Continuity of assessment result

- f. For disciplines of internal supervisory unit administration.
- g. Manage work environment and continuity

ii. Inspector has responsible for:

- a. Achieving the work goal as stated in RKAP
- b. Achieving the quality of examiner human resources
- c. The implementation the inspection of work program
- d. The appropriate of report the assessments result
- e. Appropriate the method and system of assessment
- f. Continuity of assessment result

iii. Regional inspector has responsible for:

- a. Arrangement the work plan and budget
- b. The appropriation of work plan and budgeting
- c. Appropriation quality of human resource assessment
- d. Appropriation of the implementation of assessment work program
- e. Appropriation of report of assessment result
- f. Appropriation of system and report of assessment
- g. Continuity of assessment result
- h. Orderly administration of area inspectorate

iv. Intermediate and Young Inspector has responsible to:

- a. With the head of internal supervisory unit to implementation of inspector duties
- b. With manager coordinate the job duties
- c. With other instance that associated with the task of inspection

v. Administration Manager responsible for:

- a. Delivered the report of recapitulation of examination result
- b. Implementation of accuracy inspection data processing

- c. Maintenance the inspection files
- d. Realization inspection administration system, staffing, and facilities of internal supervisory unit.
- e. Monitoring recapitulation the continuity inspection

4.2.5 Independency

In standard of internal auditor mention that internal auditor activity must be independent, and internal auditors must be objective in performing their work. Internal auditor should have independence in conducting audit and express views and thoughts accordance with the profession and applicable audit standards. Independence is very important to services that given for all stakeholders, internal auditor must be independent in the examined activities. And also independent as ethic code of internal audit profession.

Internal auditor position in organization should be quite possible to carrying out its responsible in auditing so that they able to express their view and thoughts without any influence from management and other parties within the company. To have independent internal audit, internal auditors must gets support from top management and broad of management in implementing their duties and responsibilities. Under these support internal auditor can obtain a good team work from audit committee and from interference of another parties.

Implementation of internal audit within the company organization structure shows the attention and support from top management to internal audit functions. In Perum Pegadaian, internal auditor led by head of internal supervisory which the official below the president directors, for Perum Pegadaian branch office Padang internal auditor have position below the head of regional Padang.

4.2.6 Ethic Code Internal Auditor

- a) Supervise internal should be honest, objective and sincerity in do they profession's responsibility.
- b) Supervise internal should have loyalty to company and not allow to involve in deviation and unlawful.
- c) Not allow to involve in activity that can discriminate the company.
- d) Must be able to refrain from activities that could create conflicts of interest with the company.
- e) May not receive anything in any way form that can and should expected to influence the consideration of the profession.
- f) Only give service that can resolve with use applicable professional competence.
- g) Must carefulness in use information that receive and not allowed use it to personal interest.
- h) Must to disclose important facts, information that not disclose can cover the unlawful practice.
- i) Increase the quality.

4.2.7 Profile of Internal Audit Division

Internal audit division Perum Pegadaian expected to be as personnel who are always ready to help audit communities in dealing with existing problems. Internal auditor must have professional expertise and adequate skill. Perum Pegadaian has standard to hire and assigns the internal auditors, it has standard competency, job requirement and facility that support the work of internal auditor.

Skill that required by internal auditor involve professionalism, knowledge and capability. To fulfill the requirements to internal auditor, internal audit division has procedures in requirement of new internal auditor, it is from the Perum Pegadaian employee

that has been qualified to be internal auditor , at least in III/a level for young inspector and IV for head of internal supervisory unit also have been experience in lower level in two years or more. Thus there give guarantee for internal audit result and will be little audit risk occurs.

Internal auditor must have knowledge, competence and have skill that needed in doing their job duties and responsibilities. To support the competence of internal auditor, Perum Pegadain has facilities to support of internal auditor work. Internal auditors also join with seminar, training and education to increase the skills of internal auditor.

Table 4.1

Internal auditor Profile of Perum Pegadaian Branch Office Padang

Supriyanto, SE	Head of Internal Supervisory Unit Regional III Padang
Joni Akrosinal,SE	Team of Internal Supervisory Unit Padang He has been experience as internal supervisory in 15 years
Yulihasma Djammas,SE,MM	Team of Internal Supervisory Unit Padang He has been experience as internal supervisory in 5 years
Yuliwarman, SE	Team of Internal Supervisory Unit Padang He has been experience as internal supervisory in 1 years

All of internal supervisory team Padang have been get certificate of QIA (Qualified Internal Auditor) and they are have been follow many training that held by Perum Pegadaian to improve the skill of internal audit.

4.2.8 Supervision and Examination of Internal Supervisory Unit Perum Pegadaian

- i. Examination and Supervise by Inspectors

Inspector as the coordinator of supervise team, has responsibility to supervise and inspection about supervise and inspection of internal supervisory team. Inspector in do the responsibility has guideline as follow:

- 1) To be coordinator in duties of internal supervisory team in 2 times in central office and one time in the regional office for 1 year.
- 2) One time in 1 year do evaluation for internal supervision team's duties in the branch office of Perum Pegadaian, and get three sampling in the team examination regional.
- 3) Do another examination if needed.

ii. Inspection and Supervise by Internal Supervise Team

Internal supervise in run their duties have to base on the general guideline for internal audit Perum Pegadaian as follow:

- 1) One time in one year do deep examination in each branch office Perum Pegadaian.
The deep examination covers operational examination, human resources, finance, logistics, PKBL and others.
- 2) Two times in one year do inspection for pawn warehouse in each company branch office, it involve the goods guarantee for pawn and its administration.
- 3) Two times in one year do KSP in each company brach office, KSP is examination for cash and its administration.
- 4) One time in one year do inspection for auction activity, open time and close time branch office also that administration.
- 5) Two times in one year do comprehensive examination in regional office for operational activity, logistics, finance, PKBL and other business.

- 6) Special inspection is examination that did by internal supervise because special event or request from head of regional office and had been approve by head of internal supervisory unit.

4.2.9 Internal Audit Work Plan

1. Annual work plan (PKPT) internal supervise team

In each year at august first week, internal supervise should make annual work plan (PKPT) and annual inspection budget (RABPT), that are to make annual inspection activity can achieve the objective and to get the good result with efficient cost. If there is change, so that internal supervisory have to report to head of internal supervisory units and the change not allow mentioning in past realization of work plan.

2. Monthly work plan (PKPB)

It made monthly, have submit head internal supervisory in each 10th. The work plan made based on PKPT, it's include monthly inspection budget.

3. Examination cost

All examination cost, its include salary of employee and bonus, operational cost, travel cost and others, have made in company budget and the flow managed by central office and regional office, depend on the examination place, additionally the budget must be approved by head internal supervisory.

4.3 Corporate Governance in Perum Pegadaian

According to Decree of the Minister of State / Head of Investment and State Owned Enterprises No. 23 / M PM/BUMN/2000 about Good Corporate Governance Practices in the Development Company (Persero), Good Corporate Governance is a healthy corporate principles that need to be applied in the management company that conducted to safe corporate interests in order to achieve company goals and objectives. Based on this definition corporate governance is effort that made by all parties that concern with the company to run the business activity properly.

The implementation of corporate governance in Perum Pegadaian can be explained by see the form of institutions body, the supervisory board, the board of directors have important role in implementation of good corporate governance for Perum Pegadaian. They have to perform their function accordance applicable standard and each of function has independency in doing their duties and responsibility.

To achieving success in long time, implementations of corporate governance need code of conduct that can be reference for all employees to implement the value and ethics so that it can be culture for company.

4.3.1 Principle of Good Corporate Governance of Perum Pegadaian

Good corporate governance came to Indonesia in early of 1998 after the economic crisis, based on that Indonesia governance aware about the needs of good corporate governance. Indonesia's governance introduced good corporate governance concept through minister of BUMN especially in BUMN environment, and its include Perum Pegadaian.

Based principle that adapted by Perum Pegadaian to implementation of good corporate governance as follow:

a. Transparency

Transparency principle is related with the information qualities that given by company, since the trust of stakeholders depend on the information quality that disclosed by company. Therefore company is charge to prepare clear, accurate and timely information, and can be compared with other same indicators.

For the result of research the transparency principle has been good implemented with convey information to related parties and stakeholder Perum Pegadaian. Moreover, Perum Pegadaian issue annual report regularly every years that publish financial information and others information to public. So that it can be seen Perum Pegadaian has done transparency principle to things that are considered issue based on the applicable accounting standard to stakeholders and public.

In implemented the transparency principled Perum Pegadaian assume investors trust and market efficiency depend on the transparency of Perum Pegadaian. By transparency all stakeholders could know about the potential and the risks that may happen in transaction with Perum Pegadaian.

The implementation of transparency principles at Perum Pegadaian, the following identified are:

- i. Content of Annual Report contains business achievements, financial performance and also contains non-financial matter for publics such as:
 - 1) Purpose, business target and Perum Pegadaian's strategy.
 - 2) Assessment to Perum Pegadaian by xternal party like External Auditor, newspaper media and other government institutions.
 - 3) Bibliography of Directors and Supervisor Board as well as the applicable remuneration system.

4) Company's risk handling efforts done by self-function/organ in Perum Pegadaian (Risk Management Unit).

5) The implementation of Good Corporate Governance.

ii. Presentation of other crucial transactions to stakeholders through financial statement and Company Prospectus are :

1) Explanation about company's risks and effort to manage the risks.

2) Perum Pegadaian strategy and business goal.

3) Management evaluation on business climate and business risks.

4) Corporate Social Responsibility and Partnership and Community Development Program (PKBL).

b. Independency

This principle set about how company avoids uncommon domination from stakeholders. In do company function, duties and responsibility must free from pressure and influence of internal and external parties which not appropriate with applicable rules. So that in manage company has confidences to take decision and know what the best decision that should take to make performance a company trustworthy and accurate.

Perum Pegadaian has been adopt the independency principle to has good corporate governance, it set that Independency is a condition when Perum Pegadaian managed in professionalism without any interest impact and force from any party that is against the law and good corporate principals. Implementation of independency principles in Perum Pegadaian, amongst other things are:

a) All Perum Pegadaian's organs covering Supervisory Board, Directors and other Authorities, for decision-making, shall all the time evade from conflict interest.

b) Mutual respect to right, task, authority and responsibility of amongst Perum Pegadaian's organs.

c. Accountability

Accountability means clarity of function, implementation and responsibility of Perum Pegadaian's organ to manage in effectively. Accountability is one of main solutions to handle agency problem cause by different needs between company and stakeholders.

Accountability is about the clearness the job duties and responsibility management so that the performance of company is more economies and effective. The implementation of accountability principle in Perum Pegadaian, this principle issued in annual report of Perum Pegadaian, it disclose about performance, job duties and responsible of the supervisory board, the board of directors, management and also reporting.

Implementation of accountability principles in Perum Pegadaian is:

- a) Definite job description amongst Perum Pegadaian's organs covering:
 - 1) Directors have principal task to lead and manage Perum Pegadaian pursuant to the company's purpose and all the time increase Perum Pegadaian pursuant to company purpose and all time increase Perum Pegadaian's efficient and effectiveness as well as control, maintain and manage Perum Pegadaian's assets.
 - 2) Supervisory Boad has task to supervise Perum Pegadaian's management police performed by the Directors and provide advices to Directors regarding the development plan, work plan and annual budget of the company, as well as the implementation of the provision of its Articles of Association.
- b) Optimum Empowerment of Internal Supervisory Unit and Audit Committee to conduct independent and sound audit practice to manifest a proper control system in the framework of Perum Pegadaian's purpose achievement in accordance with the prevailing rules and legislations.

d. Justice

Justice means fair and equivalent in provide stakeholder's rights based on the agreement and the regulation, which prevailed. Justice principle in Perum Pegadaian shall be implemented as under:

- 1) Perum Pegadaian treats any of its employees justly and free of bias due to racial, gender, religion and birthplace or others irrelevant with work.
- 2) Perum Pegadaian provides good and safe work condition to every employee in line with the applicable regulations and proper welfare pursuant to company's financial capacity.
- 3) Perum Pegadaian all the time treats its business relations equally, justly, and transparently in providing information.

e. Responsibility

Responsibility means compatibility in Perum Pegadaian management of law regulation and good corporate principal, which prevailed. Implementation of responsibility principle in Perum Pegadaian reflected from following conditions:

- 1) Fulfillment of obligation to third parties in good and timely manner such as tax obligation, payment to Onwer's right of Universal Development Fund (DPS), obligation to pay and return work capital to creditors, etc.
- 2) Implementation of recruitment, designation, placement, dismissal, position, function, title, wage/salary, welfare and award of Perum Pegadaian's employees shall be set and stipulated in accordance with and refer to the applicable provision of laws.
- 3) Partnership Develop-ment Obligation Program (PKBL) shall be made through smallsized business development and cooperative,direct or indirect relief for natural disaster.

4.3.2 Governance Structure Perum Pegadaian

In implementation of good corporate governance the supervisory board and board of director have significant roles, because they would be guarantee the implementation of corporate governance principle.

Implementation of corporate governance in Perum Pegdaian refers to Degree of Minister of State Owned Enterprise (BUMN) No. Kep-117/M.MBU/2002 dated 1 August 2002. Perum Pegadaian since 2005 had been established and socialization corporate governance in line of commitment of supervisory board, board of directors and all employees to implemented good corporate governance consistently.

Perum Pegadaian had been concern with implementation of good corporate governance in their company, Perum Pegdaian has company structure as one of effort to implementation good corporate governance, corporate governance structure support company to run company activities under control and in responsible way.

The function and roles of corporate governance structure in annual report 2009 as follow:

i. The Supervisory Board

Supervisory Board's task is to supervise the management of the company run by the Directors and provide advices to the Directors in performing the company's management activity for the interest of the Perum Pegadaian especially and public in general.

The implementation of the Supervisory Board's task is as under:

- a. Supervisory Board shall supervise and provide advices to the Directors in managing Perum Pegadaian.
- b. Monitor the implementation of Work Plan and Budget of the Company, provision of Government Regulation regarding Perusahaan Umum Pegadaian, Policy set by the Owner of Equity, and provision of the prevailing rules and legislation.
- c. Examine and analyze Annual Report prepared by the directors

- d. Ensure that Perum Pegadaian has and perform effectively internal supervision system, information control system and compliance with the prevailing rules and legislations.
- e. Monitor effectiveness of good corporate governance practice set by Perum Pegadaian.
- f. Ensure the effectiveness of internal control system and external auditor task performance
- g. Conduct periodic assessment and provide recommendation regarding business risks.

Implementation of obligation of the Supervisory Board is as under:

- a. Provide opinion and suggestion to the Owner of Equity regarding RKAP as proposed by the Directors and any other matters deemed important.
- b. Report the task performance to the owner of capital on regular basis and at any time deemed necessary.

Implementation of Supervisory Board authority is as under:

- a. See and examine documents and assets of Perum Pegadaian for verification need.
- b. Ask explanation to Directors and/or other official about any problems related to Perum Pegadaian management.
- c. Pass approval to the Directors for any necessary legal acts based on the law regulation, which prevailed.

Implementation of the Supervisory Board' rights is as under:

- a. Perform incidental supervision task to region.
- b. Obtain completely and timely access to Perum Pegadaian's information such as financial report, etc.

Meeting of the Supervisory Board shall be held to make best resolutions for Perum Pegadaian under the following restrictions:

- 1. Every member of Supervisory Board shall have equal opportunity and voting right to response opinion that no one will dominate the meeting.

2. Resolution of Supervisory Board meeting shall be made on deliberation for consensus, otherwise the resolution based on majority vote.
3. A member of Supervisory Board shall have the right to add one more vote for other member of Supervisory Board he represents to when making decision through majority votes
4. Supervisory Board may invite employee of Perum Pegadaian for information in line with the scope of his work.
5. Every meeting of Supervisory Board, either intern or together with the Directors or other relevant authorities shall be drawn up in a Minutes of Meeting.

To date Perum Pegadaian does not have an independent member of supervisory board meanwhile the existing member is representative of state/government as the owner of the company.

To maintain work effectiveness, the Supervisory Board during 2009 held 12 meetings, which internal meeting start one hour before meeting with the Board of Director. Minutes of the meeting are :

1. Company performance for the years 2008, 2009 and Company's Work Plan and Budget (RKAP) for 2009, 2010
2. Finance performance related with IT basis reporting system, consolidated financial statement, reducing operational cost, trade payables an trade receivable, issues of bonds, audited report.
3. Human Resources issue includes recruitment, education and training, payroll system, reorganization, career, job competencies, outsourcing policies untill pension.
4. Perum Pegadaian's business activities are new product growth like Household Business Credit (Krista), security pawn, collateral and partnership with State Owned Enterprise (BUMN) and other institute.

5. Changes in legal status from Perum to Persero.
6. Increasing quality of service with introducing “Brother in Striving the Wish”
7. Things related to Perum Pegadaian’s issue.

ii. The Board of Director

The Directors has tasks and authorities as under:

1. Lead, maintain and manage Perum Pegadaian and all the time does their best efforts to increase the effectiveness and efficiency.
2. Organized, maintain and control Perum Pegadaian assets
3. Represent Perum Pegadaian
4. Implementing business development policy
5. Implementing Perum Pegadaian policy based on operational activity manual
6. Prepare Long-term Plan and Work Plan as well as the Budget of the Company.
7. Hold and maintain Perum Pegadaian’s bookkeeping and administration in line with the generally accepted principle in a company.
8. Prepare structure of organization and Perum Pegadaian’s working procedure and its job description.
9. Business cooperation, establish subsidiaries company and capital investment in other company by agreement of minister
10. Promote and dismiss employee according to the law regulation.
11. Stipulate salary, pension/pension insurance and other income for employees and manage all employee’s matter, accordance with prevailing laws and regulation.
12. Prepare Annual Report and occasionally report.

In the pursuant of its task the Directors shall all the time be guided to the prevailing provision as under:

- a. The Director shall comply with Government Regulation No. 103, 2000 regarding Perum Pegadaian as the Articles of Company Association and the prevailing rules and regulations.
- b. The Directors shall do its best efforts to carry out task for the interest of Perum Pegadaian without leaving out its social responsibility and all the time consider interest of various parties in accordance with the provision of the prevailing rules and legislations.
- c. Accountability to task implementation of Perum Pegadaian's management shall be made timely and orderly and the same shall be reported fully and honestly to the Owner regarding all material facts with respect to the company's business.
- d. Management of Perum Pegadaian shall be undertaken along with the company's direction as manifested in line with the Vision, Mission, Purpose and Long-term Plan of the Company.
- e. Preparation of Work Plan and Budget of the Company (RKAP) shall be made timely.
- f. The directors shall maintain the continuity of the Perum Pegadaian and prepare its development plan and maintain and increase the company's image.
- g. Good attitude and able to do the job.

iii. Audit committee

Audit Committee is a body of Supervisory Board Perum Pegadaian with tasks are supporting the Supervisory Board evaluate the effectiveness of internal control, duties implementation of internal auditor and external auditor and assessing sufficient of disclosure company's information especially financial statement and annual report.

Audit Committee of Perum Pegadaian was duly constituted on 25th October 2002, task performance shall refer to the Ministerial Decree of BUMN No. 103/MBU/2000

regarding the Establishment of Audit Committee for BUMN. In the pursuant of duty to support the Supervisory Board, Audit Committee shall be guided by the work plan.

Audit Committee has Audit Committee Charter that elaborates duties and responsibilities of Audit Committee. Audit Committee has 3 (three) members with one Supervisory Board member as the member and the Chairman of Audit Committee and 2 (two) members of Audit Committee from non-Supervisory Board member who are qualified for independent criteria, namely, no financial interest in any form.

Audit Committee Membership

1. Audit Committee Membership promote by Supervisory Board.
2. Audit Committee Membership has minimum 1 person from Supervisory member and 2 experts from outside Perum Pegadaian.
3. Chairman of Audit Committee is a member of Supervisory Board and also as a member of Audit Commiittee.
4. The regulation as Audit Committee member are:
 - a. Has good integrity, knowledge and job experience in supervising.
 - b. Has no interest, which could cause conflict of interest
 - c. Has good communication skill
 - d. Has strong commitment.
5. Minimum one of the member has good knowledge finance and accounting
6. Maximum working period is 1 year.
7. Audit Committee can be re-promote only for once in the next period.
8. The promotion and replacement of member has to get more than 50% agreement from Supervisory Board members.

Task and Responsibility of Audit Committee

- a. Evaluate the implementation of audit activity and audit result conducted by Internal Supervision Unit (SPI) of the Company and or by external auditor that non qualified implementation and reporting would be avertable.
- b. Make recommendation regarding refinement of control system to the company's management and implementation.
- c. Provide consideration to the Supervisory Board concerning the preparation and refinement of audit Committee Charter on gradual basis.
- d. Identify matters requiring consideration of the Supervisory Board.
- e. Perform other tasks assigned by the Supervisory Board to the extent of the scope of work and obligation of the Supervisory Board.
- f. Ascertain the investigation procedure of information given to the government and obligor.
- g. Audit Committee can ask the internal or external auditor to do an investigation of any issues by the Supervisory Board approval.
- h. Audit Committee can suggest the Directors of any field that necessary to audit.

To keep work effectiveness, Audit Committee holds periodic internal meeting minimum once in a month and during the 2009 as schedule and present by all members

Of Audit Committee and the meetings consist of:

1. Internal Audit Committee Meeting
2. Audit Committee Meeting with the Directors
3. Audit Committee Meeting with Internal Supervision Unit.
- iv. Risk Management Committee

Risk management committee is responsible to providing recommendation to board of directors related with the assessment policy, risk management and review adequate,

completeness and effective implementation of risk management process and providing Perum Pegadaian with necessary recommendation.

Perum Pegadaian establish risk management committee Based on The Director Decree No. 1095/SDM.200322/2004 dated April 28, 2008 regarding Structure of Organization had performed Risk Management. To implement the good corporate governance Perum Pegadaian forms the risk management committee and the risk management committee has done effort to reduce risks and manage risks.

To reduce risk management committee do some effort to reduce risk, corrective steps to security receipts as collateral, since the main business activity of Perum Pegadaian is give pawn for collaterals, so that it have to reduce risk in pawn activity.

Another way to reduce risk, seek funding alternative with lower cost of fund to avoid the lack of fund in pawn activity. Insurance the customer collateral and insurance the extended loan for fiduciary installment credit (KREASI), since Perum Pegadaian face risk security risk it insurance the pawn collaterals to another parties, it's not only save the collateral pawn but also save the employees of Perum Pegadaian. In addition position security officers at Pegadian Brach office to give security for Perum Pegadaian.

Moreover the way to reduce risk that done by risk management committee give intensive and sustainable human resources training and development to produce more professional labors for Perum Pegadaian optimum operation support. Also expand scope of services by opening braches at potential regions and perform restructuring to branch office suffering from difficult.

Risk in business is something that can not be avoided, including in the pawn business. Therefore, to avoid potential losses in the future is greater, the risk should be managed. The risk management committee manages existing risks by:

- a. Minimizing the trigger factors through the fulfillment of the quality and quantity of the human resources, facilities and infrastructure improvements, repairs and operational systems improvements to IT systems
- b. Constructing the culture of risk awareness, through the socialization of risk management across business unitsRisk.
- c. Transferring the risk through pengasuransian building, collateral was pledged goods to the Pawnshop customers, creditors and third parties kepda cash through a tender process.
- d. Accepting the risk

The chard for risk management committee in Perum Pegadian is show at Appendix A.

4.3.3 Ethical and culture values

To achieve company vision and mission, the implementation of good corporate governance therefore, the behavior guideline is required to be a reference for company and employee to applying the value and business ethics so that become a part of the company culture. Perum Pegadaian has set ethics code to be based and guidance of employee behavior, to increase the obedience of company structure to law and ethics that adopted by company.

These ethics code is additional rule in Perum Pegadaian, that apply for all company structure and employee. Perum Pegadaian policy in keep integrity of business activity and work are:

1. All company organs and employee of Perum Pegadaian must be faithful to the prevailing law and regulation.
2. Perum Pegadaian always strove for getting information in legal ways, keep and use based on the prevailing business ethic principals.
3. Perum Pegadaian avoiding illegal action and unfair practice or dishonest behavior in the profit achievement.
4. Perum Pegadaian prohibit of authority/function misuse in both directly or not.
5. The Company avoiding influences impact

Accordance the corporate governance principle and to increase the effectiveness of corporate governance Perum Pegadaian set the culture value to be behavior reference for company structure and employee in do job duties and references.

Corporate culture is reflected in cultural values are translated into 10 INTAN main behaviors which will become the handle of doing business and organizations.

i. Innovative:

1. Initiative, creative and productive

2. Noble of morality:
3. Obedient worship
4. Honest and positive thinking
- ii. To be skillful:
 5. Competent in their field
 6. Always develop themselves
- iii. All for services:
 7. Sensitive and quick response
 8. Empathy, courteous and friendly
- iv. Nuances of image:
 9. Has sense of belonging
 10. Care for the good name of the company.

Excellent service program launched by socializing “Pegadaian Kerabat Menggapai Cita. It means that Perum pegadaian is reliable friend to reach hopes and always helping the customer to solve problem.

4.4 The roles of internal auditor in Corporate Governance

Accordance to vision of internal supervisory unit Perum Pegadaian the roles of internal supervisory are to be supervisor, consultant and catalyst. Internal supervisory unit help president director to supervise deviation from rules that occurs in company and the role as supervisory has been implemented by internal audit Perum Pegadaian.

Accordance to transparency principle internal supervisory unit has to transparent about finding in field inspection, internal supervisory unit will discuss about field finding with president directors and what action to be take. From this transparency expected the problem and deviation that occurs can be solve together, based on findings in field internal

supervisory units recommendation to president director, in this supervise internal supervisory units has role as consultant in the company.

The role internal supervisory unit as catalyst are convey information about field finding and problem in branch office to regional office and regional office to branch so that, the regional manager know about the condition and performance of branch office also make sure the audit communities follow up the field finding to give recommendation and solution about field findings.

From that three roles, the main role of internal supervisory units of Perum Pegadaian is to be supervisor, because the base role of internal auditor as supervisor. Therefore the dominant role of internal supervisory units is to be supervisor of business activity of Perum Pegadaian.

Based on the corporate governance guidance of Perum Pegadaian, internal supervisory unit doesn't involve in making the corporate governance guidance and in managing the corporate governance but the supervisory units involve in reviewing and supervising for managing corporate governance and achieving the good corporate governance for Perum Pegadaian, an addition to help company to accomplish the vision and mission.

Accordance with the independency principle in corporate governance and to make internal auditor can do their job duties, internal supervisory unit have to free from pressure, interest and influence from other parties which not related with the responsibility of internal supervisory unit of Perum Pegadaian. To make sure the independency of internal supervisory unit, so they have to report to head of supervisory units and to president director.

Position of internal supervisory units on Perum Pegadaian structure is below the president director and in the regional office the position below the regional head so that internal supervisory unit has role in supervise in internal control of company. To coordination

the internal supervisory units activities with audit committee, internal supervisory head report the all findings to president director and attach to audit committee.

The involvement of internal audit supervisory unit in implementation good corporate governance Perum Pegadaian, they make sure the employees obey applicable rules in company. The supervisory unit supervise in the entire corporate governance field, begin from the hiring the new employee, chosen the employee in certain position and internal control company. The supervisory unit ensures that all in properly executed.

The role of internal supervisory units supervise the corporate governance, if the problem occur in implementation good corporate governance, internal supervisory units will be recommended solution to the problem with ways make it appropriate with company.

The achievement that has been done by internal supervisory units in corporate governance, with little deviation in company its means the all component in company are obey the role and in the good condition so that the role of internal supervisory units in corporate governance in good ways.

CHAPTER V

CONCLUSION, LIMITATION, AND SUGGESTION

The objective of this research is to know about function of internal audit, corporate governance and the role of internal auditor in corporate governance Perum Pegadaian, where the object of this research at Perum Pegadaian Cabang Utama Padang.

Based on the result of research that discuss in previous chapter, there are conclusion, limitation, and recommendation as follow.

5.1 Conclusion

This research reviews the main standard and principle of internal audit and corporate governance. Describe the relevant information about condition of internal auditor and the role of internal audit in corporate governance for one type of finance company.

Based of the result of the author's research, shows that the internal audit function and implementation good corporate governance Perum Pegadaian are effective. It describe as follow:

- 1) The Position of Head of Internal auditor and Internal auditor team in Perum Perum Pegadaian's are Independent, this can be seen from the organization structure of Perum Pegadaian that are head of Internal auditor under the president director rather that under many other directors, moreover this is also explain in general guideline of supervisory units where internal supervisor unit have responsible to president director.
- 2) The role and function of internal auditor is good it can be seen from internal audit in Perum Pegadaian have general guideline, it be based for internal supervisory to do their duties. In general guideline of internal supervisory unit explains about the ethics code,

audit procedure, audit work plan and others procedure to guideline of internal supervisory unit.

- 3) Internal audit in Perum Pegadaian not only act as supervisory but also act as consultant and catalyst. This can be know from vision of internal auditor Perum Pegadaian, it is implementation in act of internal supervisory units that its function of helping the president director monitoring the implementation of internal control, act as consultant and catalyst among the branch, regional and central office. Also give recommendation for follow-up audit's findings.
- 4) Internal supervisory unit in Perum Pegadaian qualified enough, because Perum Pegadaian concern with the improvement skill its internal supervisory units with give training and internal supervisory unit have certificate Qualified Internal Audit (QIA).
- 5) Internal supervisory unit Perum Pegadaian have little involvement in risk management because risk management only in central office, in regional and branch office there is no risk management so that the internal supervisory unit in regional and branch office did not involve in risk management.
- 6) The corporate governance Perum Pegadaian is good, and have been implemented the good corporate governance it is run effectively. It is can be seen from, Perum Pegadaian implemented the principle of good corporate governance and the achievement from implementation of good corporate governance.
- 7) The internal auditor already involve in corporate governance as supervise and constant of the implementation and performance to achieve good corporate governance. The role has been running well.

5.2 Research Limitation

This study has limitations that may cause interface bias on research result:

- 1) This study only reviews the role internal auditor in corporate governance generally.
- 2) This research only in one of company branch, so that it cannot describe the whole internal audit profile.
- 3) The limitation of data obtained by author, it caused the limitation time of Internal supervisory team Perum Pegadaian.
- 4) The extent problem that arises in a company activities cause the author is aware of limitation time, ability and knowledge author.

5.3 Suggestion

1. For Perum Pegadaian company itself, eventhough a work team is effective to create conform work atmosphere, the qualification internal auditor is need to improve with adding the skill of internal auditor such as in IT system, so that it can increase the competence in doing their duties.
2. Internal auditor in Perum Pegadaian should more involve in risk management, to achieve the good corporate governance.

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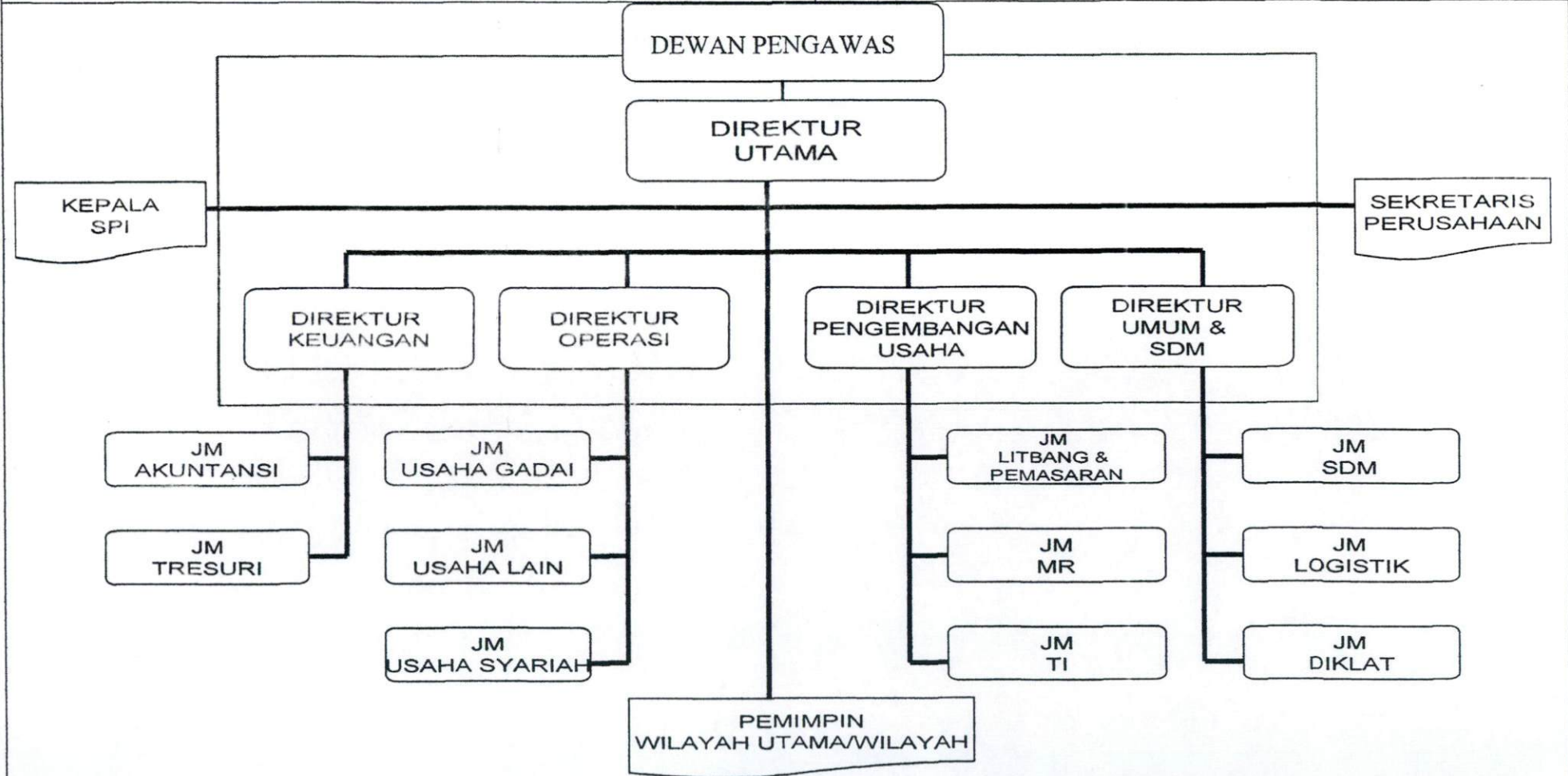
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Appendix A

STRUKTUR ORGANISASI DAN TATA KERJA PERUM PEGADAIAN
KORPORASI

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graph TD
    MANAJER --> KAWAS
    MANAJER --> KURIA
    MANAJER --> SEKRETARIS_PERUSAHAAN[SEKRETARIS PERUSAHAAN]
  
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**STRUKTUR ORGANISASI DAN TATA KERJA
PERUM PEGADAIAN**

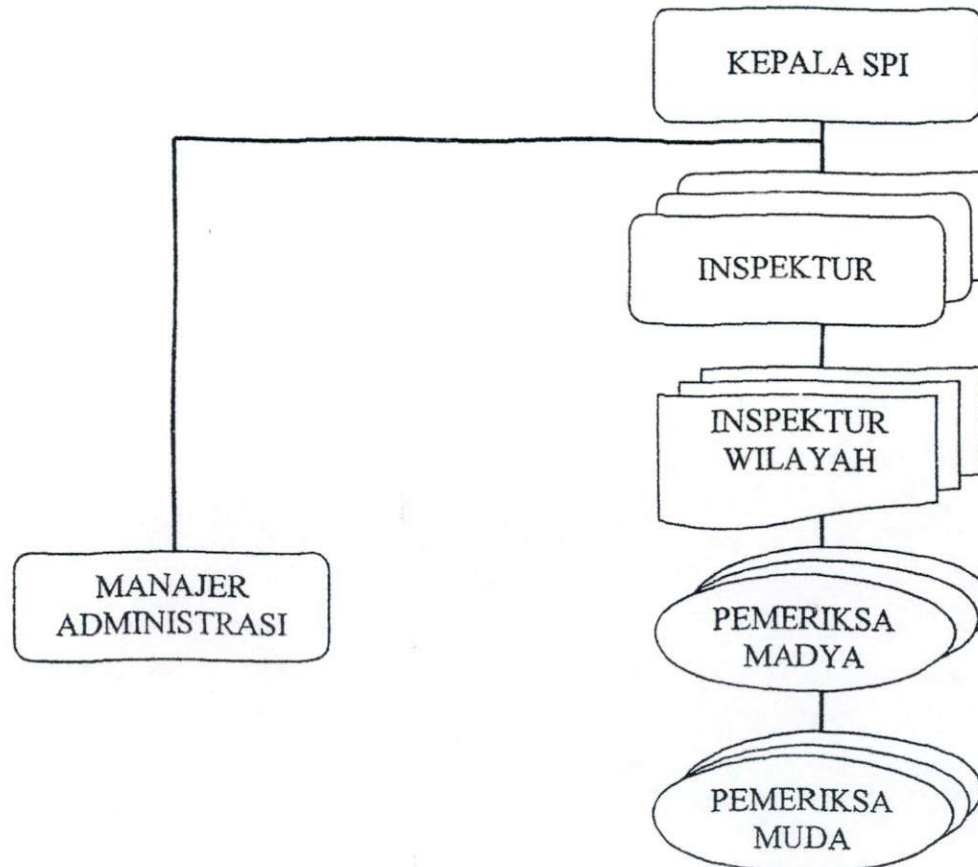
Lamp.Dari :Per.Dir.No: 1480 /SDM.200322/2008

Tgl.Disahkan : 11 Juni 2008

Tgl.Berlaku : 11 Juni 2008

SATUAN PENGAWASAN INTERN

Pengesahan :



**STRUKTUR ORGANSASI DAN TATA KERJA
PERUM PEGADAIAN**

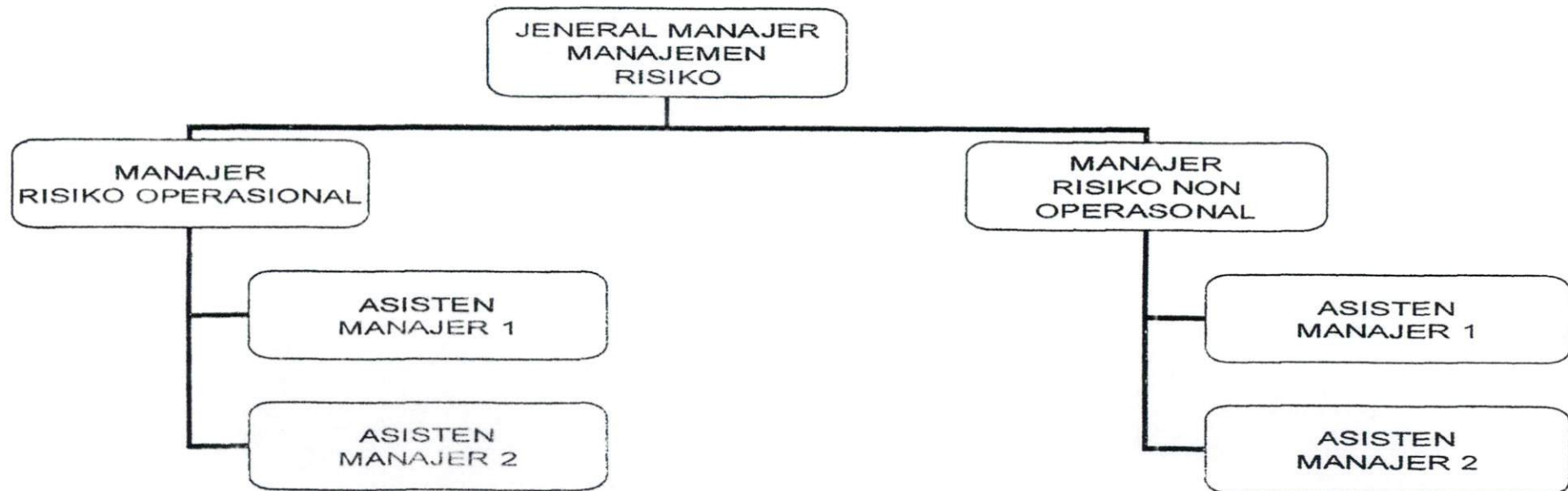
Lamp.Dari : Per.Dir.No: 1480 /SDM.200322/2008

Tgl.Disahkan : 11 Juni 2008

Tgl.Bertaku : 11 Juni 2008

DIVISI MANAJEMEN RISIKO

Pengesahan :



SURAT TUGAS

No :.....

Yang bertanda tangan dibawah ini :

Nama :
NIK :
Jabatan :
Unit Organisasi :

Memberikan tugas kepada para pemeriksa yang tersebut dibawah ini :

1. Nama :
NIK :
Jabatan :
Unit Organisasi :

2. Nama :
NIK :
Jabatan :
Unit Organisasi :

3. Nama :
NIK :
Jabatan :
Unit Organisasi :

Untuk

Melaksanakan pemeriksaan : PM/KSK/GSK/TSK/BSK/LSK/A
Pada Kantor Cabang : Perum Pegadaian Jakarta I
Pemeriksaan dilakukan pada tanggal :

Demikian untuk dilaksanakan dengan sebaik-baiknya dan penuh tanggungjawab. Kepada pihak terkait harap maklum dan bantuannya demi kelancaran tugas tersebut

Jakarta,.....2006
Ka SPI

Drs. H. Slamet Mulyatno, MBA, PIA

Lampiran 1

Program Kerja Pemeriksaan Tahunan (PKPT)

Inspektur/Tim Satuan Pengawasan Intern :

Tahun:.....

Obr ik	1	2	3	4	5	6	7	8	9	10	11	12	KET
A	PM		KSK/ BSK		GSK		KSK/ TSK		GSK		KSK/ LSK		PM=Pemer iksaan Menyeluruh
B		PM		KSK/ BSK		GSK		KSK/ TSK		GSK		KSK/ LSK	
C	KSK/ LSK		PM		KSK/ BSK		GSK		KSK/ TSK		GSK		
D		KSK/ LSK		PM		KSK/ BSK		GSK		KSK/ TSK		GSK	
E	GSK		KSK/ LSK		PM		KSK/ BSK		GSK		KSK/ TSK		
F		GSK		KSK/ LSK		PM		KSK/ BSK		GSK		KSK/ TSK	
G	KSK/ TSK		GSK		KSK/ LSK		PM		KSK/ BSK		GSK		
H		KSK/ TSK		GSK		KSK/ LSK		PM		KSK/ BSK		GSK	
I	GSK		KSK/ TSK		GSK		KSK/ LSK		PM		KSK/ BSK		
J		GSK		KSK/ TSK		GSK		KSK/ LSK		PM		KSK/ BSK	
K	KSK/ BSK		GSK		KSK/ TSK				KSK/ LSK		PM		
L		KSK/ BSK		GSK		KSK/ TSK		GSK		KSK/ LSK		PM	
M	PM		KSK/ BSK		GSK		KSK/ TSK		GSK		KSK/ LSK		
N		PM		KSK/ BSK		GSK		KSK/ TSK		GSK		KSK/ LSK	
O	KSK/ LSK		PM		KSK/ BSK		GSK		KSK/ TSK		GSK		
P		KSK/ LSK		PM		KSK/ BSK		GSK		KSK/ TSK		GSK	

Jakarta, Tgl.
Pengawas Intern,

()

Rencana Anggaran Biaya Pemeriksaan Tahunan (RABPT)
Inspektur/Tim Satuan Pengawasan Intern :

Tahun:.....

Obri k	Jumlah Auditor	Jenis Pemeriksa an	Fre kfe nsi	Hari kerj a	Total hari kerja	Pesawat /KU	MD	Lumsum	Total Jumlah
A	3 Orang	KSK	1	2	3	Ongkos Pesawat/KU	KM	SE	
		BSK	1	2	3				
		GSK	2	2	4				
		TSK	1	2	3				
		Lsk	1	3	3				
		PM			16				
		Pel. Lain							
B		KSK	1	2	3				
		BSK	1	2	3				
		GSK	2	2	4				
		TSK	1	2	3				
		Lsk	1	3	3				
		PM			16				
		Pel. Lain							
C			6	3	18				
D			6	3	18				
E			6	3	18				
F			6	3	18				
G			6	3	18				
H			6	3	18				
			6	3	18				
			6	3	18				
K			6	3	18				
			6	3	18				
M			6	3	18				
N			6	3	18				
O			6	3	18				
			6	3	18				

Jakarta, Tgl.
Pengawas Intern,

()

Program Kerja Pemeriksaan Bulanan (PKPB)
Inspektur Tim Satuan Pengawasan Intern :
Bulan :.....

OBRIK	KM	JENIS PEMERIKSAAN	MD	KETERANGAN
Libur				
A	55	PM	MD/KU	
A		PM	MD	
A		PM	MD	
Kantor		Adm		
Kantor		Adm		
Minggu/libur				
C		KSK/LSK	MD	
C		KSK/LSK	MD	
E		GSK	MD	
E		GSK	MD	
Kantor		Adm		
Kantor		Adm		
Minggu/libur				
I		GSK	MD	
I		GSK	MD	
K		KSK/BSK	MD	
K		KSK/BSK	MD	
Kantor		Adm		
kantor		Adm		
Minggu/libur				
M		PM	MD	
M		PM	MD	
M		PM	MD	
O		KSK/LSK	MD	
O		KSK/LSK	MD	
Kantor		Adm		
Minggu/libur				
G		KSK/TSK	MD	
G		KSK/TSK	MD	

Jakarta, Tgl..
Pengawas Intern,

()

Rencana Anggaran Biaya Pemeriksaan Bulanan (RABPB)
Inspektur/Tim Satuan Pengawasan Intern :
Bulan :.....

TGL	Obrik	KM	Inspektur	Pemeriksa Madya	Pemeriksa Muda	Pengemudi	Total	Keterangan
1	Libur							
2	A	60	-					
3	A	60						
4	A							
5	Kantor							
6	Kantor							
7	Minggu/libu							
8	C							
9	C							
10	E							
11	E							
12	Kantor							
13	Kantor							
14	Minggu/libu							
15	I							
16	I							
17	K							
18	K							
19	Kantor							
20	kantor							
21	Minggu/libu							
22	M							
23	M							
24	M							
25	O							
26	O							
27	Kantor							
28	Minggu/libu							
129	G							
30	G							
	Total							

Jakarta, Tgl..
Pengawas Intern,

()

Lampiran 6

Realisasi Program Kerja Pemeriksaan Bulanan (RPKPB)
Inspektur/Tim Satuan Pengawasan Intern :
Bulan :.....

TGL	Obri k	MD /KU	KM	WAKTU		JENIS PEMERIKSAAN									KET
				BRK	PLG	KTR	PM	BSK	LSK	GSK	KSK	TSK	UL	LL	
1															
2															
3															
4															
5															
6															
7															
8															
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Jakarta, Tgl.
Pengawas Intern,

()

PEGADAIAN

or : 66/Sp.4.03001/2011
piran : -
nal : Persetujuan Penelitian

Padang, 06 Mei 2011

Kepada :

Dekan
UNIVERSITAS ANDALAS
DI
PADANG

Sehubungan dengan surat Saudara No.927/UN.16.5/PP/2011 tanggal 05 Mei 2011 perihal **Ijin Penelitian dan Permintaan data**, dengan ini diberitahukan bahwa pada prinsipnya kami tidak keberatan dan memberikan ijin kepada :

Nama : **Sdr. Risda Yelly**
BP/NIM : 07 153 143
Program : Akuntansi Internasional
Judul Skripsi : **"The Role of Internal Auditor in Risk Management"**, mahasiswa Program S-1 Universitas Andalas untuk melaksanakan penelitian di Kantor Wilayah III Perum Pegadaian Padang.

Mahasiswa yang melaksanakan penelitian diwajibkan mengikuti ketentuan sebagai berikut :

- Harus mematuhi peraturan dan tata tertib yang berlaku di Perum Pegadaian dan diwajibkan memakai tanda pengenal.
- Semua data-data yang diperoleh selama Penelitian, tidak diperkenankan untuk dipublikasikan dan semata-mata hanya untuk kepentingan studi.
- Setelah selesai melakukan penelitian diharapkan kepada mahasiswa tersebut untuk memberikan laporan berupa skripsi kepada Perum Pegadaian untuk disimpan sebagai arsip perusahaan.

Demikian surat persetujuan ini untuk diketahui dan dilaksanakan dengan penuh rasa tanggung jawab.

An. Pemimpin Wilayah III
Fungsional Humas,



NIGUS SATRIYADI, SE

NIK. P.79565

Tembusan dikirimkan kepada Yth.

- Satuan Pengawas Intern (SPI) Kanwil Padang ✓

Pegadaian - Kantor Wilayah III Padang

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Transcript Interview Question

1. Does Perum Pegadaian brach office Padang has Internal auditing function? If does, what is the name of this fuction?
2. How is the position of internal auditor in Perum Pegadaian?
3. Does internal auditor in Perum Pegadaian have guideline to work such Internal Audit charter?
4. What is the vision and mission Internal Auditor Perum Pegadaian?
5. How the organization structure of Internal Auditor Perum Pegadaian and what is the responsibility of each organization structure?
6. To whom does head of internal auditor Perum Pegadian report work?
7. How the mechanism of assigning or resigning the head of Internal auditor?
8. How the reporting systems Internal audit division?
9. Does the head of internal auditor have periodically meeting with the board of management to discuss the auditing result and how frequent are those meeting?
10. What is the scope of internal audit activity in Perum Pegadaian?
11. How the work standard of internal auditor?
12. What is the code ethics of internal auditor?
13. How the independency of internal auditor Perum Pegadaian?
14. What is the profile of internal auditor Perum Pegadaian branch office Padang?
15. How the systematic flow of duties and reporting internal auditor?
16. Does the internal auditing team of Perum Pegadaian prepare the annuals auditing worksheet?
17. What is the element of annual auditing worksheet report made by internal auditing team?
18. When the significant audit finding does is reported to management?
19. Does internal auditing have fix procedure in recruiting of new auditor?
20. Does the internal auditing department has special program for its internal auditor advance education?
21. Does in every assignment of auditing, the internal auditing unit prepare the audit plan first? If so? What were included in those plans?
22. Does the audit activity report delivered to the management periodically?
23. Does in all audit assignment always forwarded with such a pre review or pre survey?
24. Which function in internal auditing team who is the charge to examine the auditing worksheet?
25. Is there any procedure to plan audit activity?
26. Does the performance of each internal auditor is evaluated periodically?
27. What the indicators show that the auditing internal function has been accomplished in Perum Pegadaian?
28. How the internal auditor involvement in corporate governance?
29. What is position internal auditor in corporate governance?
30. How does internal audit solve problem and issue about corporate governance?
31. What is the achievement internal auditor in supervise corporate governance?